

MANAGEMENT'S REPORT

To our Shareholders

The consolidated financial statements and all other information in the Annual Report are the responsibility of the Corporation's Management and have been approved by its Board of Directors.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on Management's best estimates and judgments. Financial information provided elsewhere in the Annual Report is consistent with that shown in the financial statements.

Management maintains accounting and internal control systems that are designed to provide reasonable assurance that accounting records are reliable and assets are safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report, primarily through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with or without Management being present.

The firm PricewaterhouseCoopers LLP, Chartered Accountants, has been appointed to audit these consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit included tests and other procedures they deemed necessary under the circumstances. Their independent opinion on these financial statements is presented hereafter.

Jean Paschini

/ Signed /

Chairman of the Board of Directors and
Chief Executive Officer

Terrebonne, Quebec, Canada, April 13, 2011

Jean-François Boursier, CA

/ Signed /

Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADF Group Inc.

We have audited the accompanying consolidated financial statements of ADF Group Inc, which comprise the consolidated balance sheets as at January 31, 2011 and 2010 and the consolidated earnings and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, as well as the notes to the consolidated financial statements, and a summary of the significant accounting policies.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ADF Group Inc. as at January 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

PricewaterhouseCoopers LLP¹

/ Signed /

Montreal, Quebec, Canada, April 13, 2011

¹ Chartered Accountant, permit no 14707

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Revenues	55,268	65,740
Cost of goods sold (Note 6)	38,196	47,087
Gross margin before foreign exchange variation	17,072	18,653
(Gain) loss on foreign exchange	(875)	(1,680)
Gross margin	17,947	20,333
Selling and administrative expenses (Note 19)	6,201	4,493
Earnings before undernoted items:	11,746	15,840
Amortization		
Amortization of property, plant and equipment (Notes 2 and 6)	3,021	2,657
Amortization of intangible assets (Note 2)	339	400
	3,360	3,057
Earnings before finance charges (interest income) and income taxes	8,386	12,783
Finance charges (interest income) (Note 12)	99	(489)
Earnings before income taxes	8,287	13,272
Income taxes (Note 14)	4,544	6,280
Net earnings and comprehensive income	3,743	6,992
Basic earnings per share (Note 15)	0.11	0.20
Diluted earnings per share (Note 15)	0.11	0.19
Average number of outstanding shares (in thousands) (Note 15)	33,642	35,480
Average number of outstanding diluted shares (in thousands) (Note 15)	34,296	36,334

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
(In thousands of \$)	\$	\$	\$	\$	\$
Balance on February 1, 2009	80,685	2,175	144	2,807	85,811
Net earnings and comprehensive income for the year	—	—	—	6,992	6,992
Stock-based compensation (Note 13)	—	308	—	—	308
Options exercised	131	(44)	—	—	87
Share redemption (Note 13)	(5,465)	932	—	—	(4,533)
Balance on January 31, 2010	75,351	3,371	144	9,799	88,665
Net earnings and comprehensive income for the year	—	—	—	3,743	3,743
Stock-based compensation (Note 13)	—	288	—	—	288
Options exercised	280	(104)	—	—	176
Share redemption (Note 13)	(5,681)	1,945	—	—	(3,736)
Balance on January 31, 2011	69,950	5,500	144	13,542	89,136

See the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
ASSETS		
Current		
Cash and cash equivalents	18,677	5,770
Short-term investments (Note 4)	2,787	11,652
Accounts receivable (Note 5)	22,802	14,850
Income taxes	—	442
Holdbacks on contracts	167	2,692
Investment tax credits (Note 14)	—	536
Work in progress	403	1,574
Inventories (Note 6)	3,865	3,093
Prepaid expenses	398	334
Derivative financial instruments (Note 22)	741	832
Future income tax assets (Note 14)	4,952	3,182
	54,792	44,957
Holdbacks on long-term contracts	3,562	1,297
Investment tax credits (Note 14)	2,601	2,065
Property, plant and equipment (Notes 2 and 7)	42,227	42,760
Intangible assets (Notes 2 and 8)	2,601	2,590
Other assets (Note 9)	251	247
Future income tax assets (Note 14)	2,424	9,452
	108,458	103,368
LIABILITIES		
Current		
Accounts payable and accrued charges (Note 11)	5,365	4,681
Income taxes	159	—
Deferred revenues	4,994	2,242
Derivative financial instruments (Note 22)	45	—
Future income tax liabilities (Note 14)	62	—
Current portion of long-term debt (Note 12)	2,513	2,422
	13,138	9,345
Long-term debt (Note 12)	6,151	4,645
Future income tax liabilities (Note 14)	33	713
	19,322	14,703
Commitments and contingencies (Notes 17 and 18)		
SHAREHOLDERS' EQUITY		
Retained earnings	13,542	9,799
Accumulated other comprehensive income	144	144
	13,686	9,943
Capital stock (Note 13)	69,950	75,351
Contributed surplus	5,500	3,371
	89,136	88,665
	108,458	103,368

See the notes to the consolidated financial statements.

Approved on behalf of the Board of Directors

/ Signed /

Jean Paschini, Director

/ Signed /

Marc A. Benoit, CA, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
OPERATING ACTIVITIES		
Net earnings	3,743	6,992
Adjustments for:		
Amortization of property, plant and equipment (Note 2)	3,021	2,657
Amortization of intangible assets (Note 2)	339	400
Gain on disposal of property, plant and equipment	(52)	(9)
Unrealized loss (gain) on derivative financial instruments	136	(1,890)
Non-cash exchange loss	266	1,541
Interest capitalized on long-term debt	15	20
Stock-based compensation (Note 13)	288	308
Future income taxes (Note 14)	4,011	6,045
Net earnings adjusted for non-monetary items	11,767	16,064
Changes in non-cash operating working capital items (Note 16)	(3,320)	(15,781)
	8,447	283
INVESTING ACTIVITIES		
Disposal (acquisition) of short-term investments	8,865	(5,652)
Net acquisition of property, plant and equipment (Note 7)	(2,302)	(4,046)
Net acquisition of intangible assets (Note 8)	(350)	(588)
Proceeds from disposal of property, plant and equipment	—	33
Increase in other assets	(4)	(62)
	6,209	(10,315)
FINANCING ACTIVITIES		
Issuance of long-term debt	4,370	—
Repayment of long-term debt	(2,333)	(1,718)
Issuance of subordinate voting shares (Note 13)	176	87
Redemption of subordinate voting shares (Note 13)	(3,736)	(4,533)
	(1,523)	(6,164)
Impact of fluctuations in foreign exchange rate on cash	(226)	(524)
Cash inflows (outflows)	12,907	(16,720)
Cash and cash equivalents, beginning of year (Note 16)	5,770	22,490
Cash and cash equivalents, end of year (Note 16)	18,677	5,770

See Note 16 "Supplemental Cash Flow Information".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended January 31, 2011 and 2010.

All tabular figures are in thousands of dollars, unless otherwise specified and except for percentages and ratios.

1. NATURE OF BUSINESS

ADF GROUP Inc. ("ADF" or the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation operates a 58,530-square-metre (630,000-square-foot) plant in Canada and concentrates its activities in the design and engineering of connections, fabrication and installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, and transport infrastructures.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and include the significant accounting policies detailed below:

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Inter-company transactions and balances have been eliminated.

b) Revenue and Cost Recognition

ADF uses the percentage-of-completion method to establish the revenues and costs recorded for every contract and for every given financial period. This method requires Management to make estimates with regard to the work completed, and the costs to complete the remainder of the work in order to determine the amount of revenues and profits to be recognized at the end of every period. Under this method the profits recognized are dependent on a variety of estimates, including the progress of the engineering work, quantities of material, achievement of certain contractual milestones, costs to complete, changes made by the professionals hired by the project's owner, site conditions and other situations having an impact on costs. These estimates depend on Management's judgment with respect to these factors at a specific date, and certain estimates are difficult to determine before the project is sufficiently advanced.

Given the complexity of the estimation process, even with the best business practices, projected costs can vary from the estimates. The revision of such estimates could reduce or increase the profit on a contract and also, under certain circumstances, result in the immediate recognition of estimated losses. Furthermore, in the normal course of business, changes to contracts often occur while they are in progress. The revenues relating to those contract changes are included in the total estimated revenues up to the anticipated costs when there is a verbal agreement with the client. Consequently, the profits related to these changes are recognized only upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized and recorded. This situation often leads to the recognition of losses when the costs are incurred before an agreement is reached with the client, while profits are recognized when the negotiated agreement is signed and posted to the Corporation's books.

The mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one quarter to another with regard to the contracts underway. Consequently, while the Corporation tends to realize its profitability objective on its overall order backlog and the full project execution term, gross margin can vary from quarter to quarter based on specific mix of revenues and costs recorded on all projects for every given period.

Claims are included in total estimated contract revenues once a final settlement is reached. This leads to a situation where losses are recognized when costs are incurred, before the client signs an agreement, and revenues and profits are recognized when an agreement is signed.

Construction contracts with clients generally provide that billings are to be made periodically based on the extent of performance under the contracts. Contract receivables arise principally from the invoicing under the contractual terms. Holdbacks on contract receivables are amounts invoiced on the contracts, which are withheld by the client as per milestones established in the contract.

Work in progress represents revenue earned under the percentage-of completion method, which has not been billed and also costs incurred in excess of billings on contracts for which sufficient work has not been performed to allow for the recognition of revenue. Deferred revenues represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage-of-completion method on those contracts.

c) Cash Equivalents

Cash equivalents include liquid investments readily convertible in the short-term to a known amount of cash, with maturity of less than three months at the acquisition date.

d) **Inventories**

Inventories, mostly comprised of raw material (steel), are valued at the lower of cost or net realizable value. Cost is determined using the specific cost method.

e) **Property, Plant and Equipment and Amortization**

Property, plant and equipment are recorded at cost. Amortization is recorded at rates that allocate the cost of depreciable assets over their estimated useful lives.

During the fiscal year ended January 31, 2011, the Corporation revised the amortization method for certain property, plant and equipment, as well as their useful life to better reflect their use over time. These changes were applied prospectively beginning on May 1, 2010. The impact on the amortization expense for the fiscal year ended January 31, 2011 was as follows:

	Previous		Revised		Increase (Decrease) in Amortization Expense (In thousands of \$)
	Method	Duration or %	Method	Duration	
Buildings	Straight-line	5 to 40 years	Straight-line	15 to 110 years	219
Land improvements	Declining balance	20%	Straight-line	30 to 110 years	(25)
Equipments	Straight-line	5 to 25 years	Straight-line	3 to 25 years	5
Overhead cranes	Straight-line	5 to 25 years	Straight-line	5 to 25 years	2
Office furniture	Straight-line and declining balance	5 to 10 years and 20%	Straight-line	5 to 20 years	(11)
Rolling stock	Straight-line	5 to 10 years	Straight-line	5 to 30 years	—
Computer hardware	Straight-line and declining balance	5 to 11 years and 30%	Straight-line	5 to 12 years	32
					222

f) **Intangible Assets and Amortization**

Intangible assets, which currently mainly consist of an integrated management software program designed primarily for fabrication, are recorded at cost and are amortized at rates determined based on their estimated useful lives.

During the fiscal year ended January 31, 2011, the Corporation revised the amortization method for certain intangible assets, as well as their useful life to better reflect their use over time. These changes were applied prospectively beginning on May 1, 2010. The impact on the amortization expense for the fiscal year ended January 31, 2011 was as follows:

	Previous		Revised		Increase (Decrease) in Amortization Expense (In thousands of \$)
	Method	Duration or %	Method	Duration	
Computer hardware	Straight-line and declining balance	5 to 15 years and 20% to 30%	Straight-line	5 to 15 years	(10)

g) **Impairment of Long-Lived Assets**

The Corporation complies with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-lived Assets", which requires the Corporation to carry out an impairment test for its long-lived assets to determine whether they have incurred a loss in value when events or changes in circumstances indicate that the carrying value might not be recoverable. In such an event, the Corporation recognizes an impairment loss for a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the asset. The impairment loss is calculated by deducting the fair value of the long-lived assets from their carrying value.

h) **Income Taxes**

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are determined based on the available tax attributes and on the differences between the carrying value and the tax basis of assets and liabilities, computed based on the enacted and substantively enacted rates and tax laws that will become effective at the expected date the differences will reverse. Management records future income tax assets only to the extent that it believes that realization is considered more likely than not.

i) **Tax Credits and Government Assistance**

In the course of its business, the Corporation may receive governmental assistance, which is recorded against the expenses or in reduction of the related capital assets. During the fiscal year ended January 31, 2011, the Corporation recorded governmental assistance of \$306,000 (\$447,000 during the fiscal year ended January 31, 2010) in reduction of selling and administrative costs. The Corporation also benefits from tax credits derived from investments, job creation and scientific research and experimental development ("SR&ED") activities. These tax credits are recorded using the cost reduction method, under which the tax credits related to eligible expenditures, capitalized or expensed, as long as their realization is reasonably assured, are recognized in reduction of the related costs during the fiscal year in which they are incurred. During the fiscal year ended January 31, 2011, tax credits of \$47,000 have been applied against property, plant and equipment. During the fiscal year ended January 31, 2010, amounts of \$26,000 have been recorded in earnings, \$126,000 have been applied against intangible assets, and \$444,000 have been applied against property, plant and equipment.

j) **Stock-Based Compensation and Other Stock-Based Payments**

The Corporation accounts for its stock option plan for certain employees and directors using the method, which requires that all stock-based compensation measured on a fair value basis be recognized in the consolidated statement of earnings, for the option-related compensation expense granted since February 1, 2003.

k) **Earnings Per Share**

Basic net earnings per share are based on the weighted average number of voting shares issued and outstanding and obtained by dividing net earnings by the weighted average number of outstanding shares during the fiscal year. Diluted net earnings per share are obtained by dividing basic net earnings by the sum of the weighted average number of voting shares used to calculate basic net earnings per share and the weighted average number of voting shares that would be issued if all of the potentially dilutive outstanding voting shares were converted using the treasury stock method for stock options.

l) **Foreign Currency Translation**

The accounts of the Corporation and its integrated foreign subsidiaries denominated in foreign currencies have been converted into Canadian dollars as follows:

- Monetary assets and liabilities, using the exchange rate prevailing at the balance sheet date;
- Non-monetary assets and liabilities, using the exchange rate prevailing at the date of the transaction; and
- Revenues and expenses, using average monthly exchange rates during the fiscal year, except for amortization, which is converted at the exchange rate prevailing at the date the related assets were acquired.

Exchange gains and losses resulting from conversion of currencies in Canadian dollars are included in net earnings.

m) **Financial Instruments**

CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement" establishes standards for recognizing and measuring financial instruments, in particular, the classification of financial assets in one of the following categories: "Held to maturity", "Held for trading", "Available for sale" or "Loans and receivables", and of financial liabilities in one of the following categories: "Held for trading" or "Other financial liabilities". Consequently, the Corporation classified its financial assets and liabilities as follows:

- Cash, cash equivalents and short-term investments are classified as assets held for trading and are measured at fair value. Gains and losses from periodic revaluation are recognized in net earnings;
- Accounts receivable and holdbacks on contracts are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;
- Equity investments in public companies whose securities are traded on the Stock Exchange are classified as available for sale and are measured at fair value, and changes are recognized in other comprehensive income at the end of each period;
- Accounts payable and accrued charges and the long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method; and
- The Corporation did not classify any financial asset as "Held to maturity", nor any financial liabilities as "Held for trading".

Transaction costs are capitalized at the cost of the assets and liabilities that are not classified as "Held for trading". As such, transaction costs applied to the long-term debt are classified against the long-term debt and are amortized using the effective interest rate method.

n) **Derivatives and Hedging Relationships**

In accordance with its foreign currency hedge policy, the Corporation can use derivative instruments such as forward foreign exchange contracts to eliminate or mitigate the risk of currency fluctuations related to its operations and its assets and liabilities in foreign currencies. Management is responsible for the establishment of the acceptable risk levels and does not use derivatives for speculation purposes. The Corporation only uses these derivatives to hedge possible future transactions. Since the Corporation did not apply hedge accounting, the forward foreign exchange contracts are recognized at their fair value at the end of each period. The gains or losses from the revaluation are recorded in the statement of earnings under "(Gain) loss on foreign exchange".

The Corporation also uses interest-rate swaps allowing it to have a fixed interest expense on a portion of the floating interest long-term debt. The Corporation elected not to apply hedge accounting, and these derivatives financial instruments are classified as held for trading and measured at their fair value at the end of every period. The gains or losses from the revaluation are recorded in the consolidated statement of earnings at the end of every period under "Finance charges (interest income)".

o) **Pension Plan**

The Corporation offers its eligible employees a defined contribution pension plan for which the Corporation can contribute an amount equal to the employee's contribution or an amount predetermined under the collective agreement. The contributions are disbursed monthly to the pension plan. Contributions are charged to earnings when they are payable.

p) **Measurement Uncertainty**

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal year. Since the financial reporting process requires the use of estimates, actual results could differ from those estimates. As previously indicated, the measurement of work in progress and deferred revenues requires Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The measurement of long-term assets and related impairment, stock options, taxes, provisions and contingencies also requires estimates.

3. **FUTURE ACCOUNTING CHANGES**

The Corporation will cease to prepare its consolidated financial statements in accordance with GAAP as set out in Part V of the CICA Handbook – Accounting for the periods beginning on February 1, 2011, when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook – Accounting as its primary basis of accounting. Consequently, future accounting changes to GAAP are not discussed in these consolidated financial statements as they will never be applied by the Corporation.

4. **SHORT-TERM INVESTMENTS**

On January 31, 2011, the Corporation held \$2,787,000 in guaranteed deposit certificates (\$11,652,000 on January 31, 2010) bearing a weighted average rate of 4.11% (3.38% at January 31, 2010), and cashable at any time.

5. **ACCOUNTS RECEIVABLE**

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Contracts receivable	22,315	13,736
Allowance for doubtful accounts	(100)	(315)
	22,215	13,421
Other receivables	587	1,429
	22,802	14,850

6. **INVENTORIES**

The inventories amount recorded as cost of goods sold and amortization were as follows:

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Cost of goods sold	38,196	47,087
Amortization of property, plant and equipment and intangible assets related to the transformation of inventories	2,692	2,346

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Land Improvement	Equipment and Overhead Cranes	Office Furniture, Rolling Stock, and Computer Hardware	Total
(In thousands of \$)	\$	\$	\$	\$	\$
As at February 1, 2009 ¹					
Cost	527	35,873	20,829	6,250	63,479
Accumulated amortization	—	(10,067)	(6,622)	(5,395)	(22,084)
Net book value	527	25,806	14,207	855	41,395
Balance on February 1, 2009					
Acquisitions	—	1,637	2,202	207	4,046
Disposals	—	—	—	(24)	(24)
Amortization expenses	—	(860)	(1,574)	(223)	(2,657)
Balance on January 31, 2010	527	26,583	14,835	815	42,760
As at January 31, 2010					
Cost	527	37,510	22,625	6,223	66,885
Accumulated amortization	—	(10,927)	(7,790)	(5,408)	(24,125)
Net book value	527	26,583	14,835	815	42,760
Balance on February 1, 2010					
Acquisitions	—	586	1,709	280	2,575
Disposals	—	—	(57)	(30)	(87)
Amortization expenses	—	(1,078)	(1,758)	(185)	(3,021)
Balance on January 31, 2011	527	26,091	14,729	880	42,227
As at January 31, 2011					
Cost	527	38,014	23,784	6,271	68,596
Accumulated amortization	—	(11,923)	(9,055)	(5,391)	(26,369)
Net book value	527	26,091	14,729	880	42,227

1. During the fiscal year ended January 31, 2001, a subsidiary of the Corporation realized a gain of \$1,035,000 on disposal of property, plant and equipment. Because this property, plant and equipment was transferred to a sister company, the gain was written off in the consolidated statements. However, during the fiscal year ended January 31, 2005, ADF Group sold this subsidiary, and thus, the write-off of the previous gain on disposal of property, plant and equipment of the aforementioned subsidiary in the consolidated statements should have been reversed. Because of this omission, the property, plant and equipment and the retained earnings were undervalued by \$1,035,000 as at January 31, 2005 and subsequently. Consequently, as at February 1, 2008, in order to rectify this omission, the cost of the property, plant and equipment with regard to equipment and overhead cranes was retroactively increased by \$900,000, whereas the accumulated amortization was reduced by \$135,000, and the retained earnings at the beginning of the fiscal year ended January 31, 2009, were increased by \$1,035,000.

During the fiscal year ended January 31, 2011, acquisitions of property, plant and equipment were reduced to take into account the government grants of \$47,000 in the form of investment tax credits applied to the purchase of equipment used for fabrication and transformation (\$444,000 for the fiscal year ended January 31, 2010).

As at January 31, 2011, the book value of the property, plant and equipment currently under construction and not yet amortized stood at \$330,000. This property, plant and equipment is comprised of changes to the main building (\$1,555,000 as at January 31, 2010, comprised of equipment and changes to the main building).

The 2011 fiscal year's acquisitions, which take into account the property, plant and equipment given in exchange for new ones, are summarized below:

(In thousands of \$)	\$
Acquisitions of property, plant and equipment	(665)
Property, plant and equipment given in exchange	139
Net acquisitions of property, plant and equipment	(526)

8. INTANGIBLE ASSETS

	Software	Software Licences	Total
(In thousands of \$)	\$	\$	\$
As at February 1, 2009			
Cost	9,180	4	9,184
Accumulated amortization	(6,781)	(1)	(6,782)
Net book value	2,399	3	2,402
Balance on February 1, 2009			
Acquisitions	536	52	588
Amortization expenses	(395)	(5)	(400)
Balance on January 31, 2010	2,540	50	2,590
As at January 31, 2010			
Cost	7,125	56	7,181
Accumulated amortization	(4,585)	(6)	(4,591)
Net book value	2,540	50	2,590
Balance on February 1, 2010			
Acquisitions	316	34	350
Amortization expenses	(327)	(12)	(339)
Balance on January 31, 2011	2,529	72	2,601
As at January 31, 2011			
Cost	7,440	91	7,531
Accumulated amortization	(4,911)	(19)	(4,930)
Net book value	2,529	72	2,601

During the fiscal year ended January 31, 2010, a governmental grant of \$126,000 (none for the 2011 fiscal year) for a SR&ED tax credit reduced the acquisition cost of software for the fiscal year then ended.

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Acquired	43	54
Developed internally	307	653
	350	707

The book value of the intangible assets in development not amortized as at January 31, 2011 totalled \$49,000. As at January 31, 2010, all intangible assets were subject to amortization.

9. OTHER ASSETS

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Equity investments	163	163
Other	88	84
	251	247

10. CREDIT FACILITY

The \$10,000,000 credit facility was renewed on October 20, 2010. The credit facility is not based on margination of the lending value in regard to contracts receivable and inventories. This credit facility, at the option of the Corporation, bears interest at the bank's prime Canadian rate without markup or at the banker's acceptance rates plus 1.50% or at the USD LIBOR rate plus 1.50%. This credit facility is secured by inventories and contracts receivable excluding holdbacks receivable. This agreement is renewable annually. During the fiscal years ended January 31, 2011 and 2010, no amount was drawn from this credit facility.

Under the terms of this credit facility, the Corporation is subject to certain covenants and the respect of financial ratios, which were all respected as at January 31, 2011.

11. ACCOUNTS PAYABLE AND ACCRUED CHARGES

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Accounts payable	2,770	1,955
Accrued charges	710	994
Salaries and fringe benefits payable	1,885	1,732
	5,365	4,681

12. LONG-TERM DEBT

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Bank loan, secured by first rank hypothecs, including a movable and immovable hypothecs on certain specific equipment of the Corporation. This loan, denominated in U.S. dollars, in the amount of US\$8,355,000 as at January 31, 2011 (US\$6,400,000 as at January 31, 2010), bears interest at one month US\$ LIBOR, plus 2% (representing an effective interest rate of 2.25% as at January 31, 2011 and 2010), and is repayable by monthly instalments of US\$200,000 until July 1, 2014. ¹	8,368	6,844
Unsecured term loan, bearing an effective interest rate of 7%, repayable in 10 equal semi-annual instalments of \$31,344 beginning in May 2009. ²	166	213
Obligation under a capital lease, bearing an effective interest rate of 5%, payable in monthly instalments of \$4,000, until November 2013. ³	127	—
Other	3	10
	8,664	7,067
Current portion	2,513	2,422
	6,151	4,645

1. As at January 31, 2009, this loan denominated in U.S. dollars bore interest at one month US\$ LIBOR plus 2%, and was repayable by monthly instalments of US\$200,000 beginning March 1, 2008 until April 1, 2012. As at October 30, 2009, the Corporation concluded a new agreement with this lender, which included a moratorium on principal repayment from September 1, 2009 until February 1, 2010 inclusively. This new agreement includes an additional loan of US\$4,155,000, with the same terms and conditions previously mentioned, with the exception of the repayment schedule, which began on March 1, 2010 and will end on July 1, 2014. The receipt of this additional loan began in early February 2010, and confirms the issue of the collateral security on certain specific equipment.

2. The Corporation received an unsecured loan of \$313,440 from a Crown corporation. This loan is interest-free and refundable over 10 equal semi-annual instalments beginning in May 2009. Under the provisions of CICA Handbook Section 3855, this loan was measured at fair value using a commonly used interest market rate. The difference of \$93,000 between the fair value of \$220,000 and the cash received of \$313,000 was recorded as a grant against the related property, plant and equipment. An effective interest rate of 7% is calculated monthly and accounted for in accretion of the debt value.

3. This obligation under the capital-lease, is interest-free and is refundable over 36 equal monthly instalments beginning in December 2010 until November 2013. This loan was measured at fair value using a commonly used interest market rate. An effective interest rate of 5% is calculated monthly and accounted for in accretion of the debt value. The net book value of these property, plant and equipment and intangible assets was \$130,000 on January 31, 2011.

During the fiscal year ended January 31, 2011, the Corporation respected all covenants of its long-term loans and bonding agreements. (See Note 18 a) "Contingencies – Bonding Agreements".)

The long-term debt matures as follows:

	Obligation Under a Capital Lease			Other Debts	Total
	<i>Minimum Payments</i>	<i>Interest</i>	<i>Principal</i>	<i>Principal</i>	<i>Required Principal Payments</i>
(In thousands of \$)	\$	\$	\$	\$	\$
2012	48	5	43	2,470	2,513
2013	48	3	45	2,456	2,501
2014	40	1	39	2,455	2,494
2015	—	—	—	1,156	1,156
	136	9	127	8,537	8,664

During the fiscal years ended January 31, 2011 and 2010, finance charges (interest income) were as follows:

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Interest on long-term debt	323	198
Interest income	(293)	(715)
Other interest	69	28
	99	(489)

13. CAPITAL STOCK

a) Capital Stock

Authorized: Unlimited number of subordinate voting shares, carrying one (1) vote per share.

Unlimited number of multiple voting shares, carrying ten (10) votes per share.

Unlimited number of preferred shares, issuable in series.

	Subordinate Voting Shares		Multiple Voting Shares		Total	
	Number	\$	Number	\$	Number	\$
(In thousands of \$, except number of shares)						
As at January 31, 2009	21,854,469	64,684	14,343,107	16,001	36,197,576	80,685
Issued on exercise of stock options	118,136	131	—	—	118,136	131
Share redemption	(1,850,000)	(5,465)	—	—	(1,850,000)	(5,465)
As at January 31, 2010	20,122,605	59,350	14,343,107	16,001	34,465,712	75,351
Issued on exercise of stock options	249,200	280	—	—	249,200	280
Share redemption	(1,940,000)	(5,681)	—	—	(1,940,000)	(5,681)
As at January 31, 2011	18,431,805	53,949	14,343,107	16,001	32,774,912	69,950

b) Subordinate Voting Shares

During the fiscal year ended January 31, 2011, the Corporation issued, under its stock option plan, 249,200 subordinate voting shares for a total consideration of \$280,000 (118,136 subordinate voting shares during the fiscal year ended January 31, 2010 for a total of \$131,000). (See "Stock Option Plan" hereinafter).

On April 15, 2010, the Corporation launched a normal course issuer bid ("NCIB") under which the Corporation could redeem, over a 12-month period which began on April 19, 2010 and scheduled to end no later than April 18, 2011, for cancellation purposes, up to 1,940,000 subordinate voting shares, representing approximately 10% of this class of shares held by the public. The redemption of the subordinate voting shares was carried out by the Corporation on the open market through the Toronto Stock Exchange in compliance with its requirements, which limited redemptions to 12,971 shares per day, or 25% of the number of subordinate voting shares traded daily, on average, over the last six months, with the exception of block trades. The price the Corporation paid for the subordinate voting shares acquired was the market price of those shares at their acquisition date. All shares redeemed under the NCIB were cancelled. The redemption of shares was made at the Corporation's discretion. During the fiscal year ended January 31, 2011, the Corporation redeemed 1,940,000 subordinate voting shares for a net consideration of \$3,736,000. The excess book value over the acquisition cost of the redeemed subordinate voting shares, in the amount of \$1,945,000, was recorded as contributed surplus.

During the fiscal year ended January 31, 2010, the Corporation redeemed, for cancellation purposes, 1,850,000 of its outstanding subordinate voting shares under its NICB announced on April 14, 2009, representing approximately 10% of this class of shares held by the public and outstanding, for a net consideration of \$4,533,000.

On January 29, 2009, at a Special Meeting of Shareholders of the Corporation, shareholders approved that the stated capital of the Corporation's subordinate voting shares be reduced by \$61,736,000 on January 29, 2009. The reduction in the stated capital did not result in any monetary or other payment to their holders, nor has it changed the total shareholders' equity, but solely its component. The number of shares held by shareholders, as well as the book value per share, remained unchanged.

c) Stock Option Plan

At January 31, 2011 and 2010, a total of 3,426,029 subordinate voting shares were reserved for the stock option plan, as confirmed by the Toronto Stock Exchange, of which 1,476,029 at January 31, 2011 (1,516,029 on January 31, 2010), had not yet been granted. The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors.

These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vest at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, which are exercisable over a three-year period, commencing at these dates. All options have a 10-year life from the grant date.

As at January 31,	2011		2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(In units)	(In \$)	(In units)	(In \$)
Outstanding, beginning of the year	1,591,064	1.27	1,481,200	1.04
Granted	50,000	1.88	228,000	2.47
Exercised	(249,200)	0.71	(118,136)	0.74
Forfeited	(10,000)	2.14	—	—
Outstanding, end of the year	1,381,864	1.39	1,591,064	1.27
Exercisable, end of the year	1,207,064	1.17	1,048,664	1.05

At January 31, 2011, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	<i>Number Outstanding</i>	<i>Weighted Average Remaining Life</i>	<i>Weighted Average Exercise Price</i>	<i>Number Exercisable</i>	<i>Weighted Average Exercise Price</i>
(In \$)		(Years)	(In \$)		(In \$)
6.48	5,000	6.95	6.48	3,000	6.48
5.65	60,000	7.21	5.65	24,000	5.65
2.52	60,000	8.87	2.52	40,000	2.52
2.45	168,000	8.46	2.45	120,000	2.45
2.14	27,664	6.05	2.14	27,664	2.14
1.88	50,000	9.62	1.88	—	1.88
1.79	48,000	5.87	1.79	36,000	1.79
1.63	50,000	4.40	1.63	50,000	1.63
1.15	2,000	7.89	1.15	800	1.15
1.14	20,000	5.36	1.14	16,000	1.14
1.05	8,000	5.31	1.05	6,400	1.05
0.71	883,200	4.19	0.71	883,200	0.71
	1,381,864	5.38	1.39	1,207,064	1.17

The Corporation granted 50,000 options during the fiscal year ended January 31, 2011 (228,000 during the fiscal year ended January 31, 2010.) A total expense of \$288,000 was recorded in the consolidated statements of earnings for the fiscal year ended January 31, 2011, and a corresponding amount was recorded as contributed surplus (\$308,000 for the fiscal year ended January 31, 2010).

The weighted average fair value of the options granted during the fiscal year ended January 31, 2011, was estimated at \$1.88 (\$2.47 in 2010) at the grant date using the Black-Scholes option pricing model based on the following assumptions:

Fiscal years ended January 31,	2011		2010	
Grant Date	September 15, 2010	July 17, 2009	December 14, 2009	
Options issued (in units)	50,000	168,000	60,000	
Dividend yield	0%	0%	0%	
Expected volatility	89%	90%	90%	
Risk-free interest rate	3.00%	3.16%	3.16%	
Expected life	8 years	8 years	8 years	

14. INCOME TAXES

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Current		
Tax expense in the current year	323	242
Tax expense in previous years	210	(7)
	533	235
Future		
Origination and reversal of temporary differences	3,662	5,847
Impact of changes in the tax rate	349	198
	4,011	6,045
Tax expenses	4,544	6,280

Fiscal years ended January 31,	2011		2010	
(In thousands of \$, except %)	\$	%	\$	%
Provision using basic income tax rates	2,468	29.8	4,090	30.8
Increase (decrease) resulting from:				
Difference in rate for foreign subsidiaries	1,301	15.7	1,428	10.8
Non-deductible loss on foreign currency conversion of foreign subsidiaries	444	5.3	834	6.3
Non-deductible expenditures and (non-taxable portion of capital gains) non-deductible portion of capital losses	(99)	(1.2)	(184)	(1.4)
Provision for future income tax assets previously recognized	182	2.2	—	—
Changes to effective rates	349	4.2	198	1.5
Other	(101)	(1.2)	(86)	(0.7)
Tax expenses	4,544	54.8	6,280	47.3

Future income tax assets and liabilities were as follows:

Future Income Tax Assets	Tax Loss Carryovers	SR&ED Expenses	Finance Charges and Other Deferred Charges	Forward Foreign Exchange Contracts	Other	Total
(In thousands of \$)	\$	\$	\$	\$	\$	\$
As at February 1, 2009	18,565	2,001	3,090	326	—	23,982
Recorded in the statement of earnings	(4,403)	(3)	(1,674)	(326)	300	(6,106)
Exchange differences	(1,853)	—	(231)	—	(13)	(2,097)
As at January 31, 2010	12,309	1,998	1,185	—	287	15,779
Recorded in the statement of earnings	(5,018)	(3)	343	—	(182)	(4,860)
Exchange differences	(553)	—	(65)	—	(11)	(629)
As at January 31, 2011	6,738	1,995	1,463	—	94	10,290

Future Income Tax Liabilities	Property, Plant and Equipment and Intangible Assets	Holdbacks on contracts receivable	Investment Tax Credits	Forward Foreign Exchange Contracts	Other	Total
(In thousands of \$)	\$	\$	\$	\$	\$	\$
As at February 1, 2009	2,134	845	720	—	220	3,919
Recorded in the statement of earnings	(1)	(95)	(12)	248	(201)	(61)
Exchange differences	—	—	—	—	—	—
As at January 31, 2010	2,133	750	708	248	19	3,858
Recorded in the statement of earnings	(831)	11	(8)	(39)	18	(849)
Exchange differences	—	—	—	—	—	—
As at January 31, 2011	1,302	761	700	209	37	3,009

Future income tax assets and liabilities are allocated as follows:

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Short-term future income tax assets (less than 12 months)	4,952	3,182
Long-term future income tax assets (over 12 months)	2,424	9,452
	7,376	12,634
Short-term future income tax liabilities (less than 12 months)	(62)	—
Long-term future income tax liabilities (over 12 months)	(33)	(713)
	(95)	(713)
Future income tax assets (net)	7,281	11,921

Future income tax assets are recognized as tax loss carryovers only when Management believes that it will be more likely than not that these assets will be realized.

On January 31, 2011, the balance of tax attributes was allocated as follows:

	Amount	Maturity Date
	(In thousands of \$)	
Federal tax losses	\$8,367	2015 to 2027
Provincial tax losses	\$176	2027
Foreign tax losses	US\$11,402	2024 to 2028
Deferred finance charges	US\$1,967	Indefinitely
Investment tax credits	\$2,601	2022 to 2028
Federal – SR&ED expenditures not deducted	\$5,823	Indefinitely
Provincial – SR&ED expenditures not deducted	\$9,423	Indefinitely

15. EARNINGS PER SHARE

Diluted earnings per share were calculated using the treasury stock method. The table hereafter reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share.

Fiscal years ended January 31,	2011	2010
Numerator (in thousands of \$)		
Numerator applicable to basic and diluted earnings per share	\$3,743	\$6,992
Denominator (in units)		
Weighted average number of shares – basic	33,642	35,480
Effect of dilutive instruments:		
— Stock options	654	854
Weighted average number of shares – diluted	34,296	36,334

For the purpose of computing diluted earnings per share, the Corporation must account for stock options as a dilutive instrument.

For the fiscal year ended January 31, 2011, only 963,863 stock options were included in the computation of diluted earnings per share (1,207,595 for the fiscal year ended January 31, 2010), since the other options were antidilutive.

16. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides in detail the components of the "Changes in non-cash operating working capital items":

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Accounts receivable	(7,952)	(3,685)
Holdbacks on short- and long-term contracts	260	602
Income taxes	601	(668)
Investment tax credits	—	(96)
Work in progress	1,171	(946)
Inventories	(772)	178
Prepaid expenses	(64)	326
Accounts payable and accrued charges	684	(8,967)
Deferred revenues	2,752	(2,525)
Changes in non-cash operating working capital items	(3,320)	(15,781)

For the purpose of the statements of cash flows, the cash and cash equivalents are presented as follows:

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Cash	15,918	5,770
Cash equivalents	2,759	—
	18,677	5,770

Non-cash financing and investing activities were as follows:

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Obligation under a capital lease	134	—
Property, plant and equipment given in exchange for new property, plant and equipment (Note 7)	139	—

Interest and income taxes paid (received) are as follows:

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Income tax paid	393	206
Interest (received) paid	(304)	(144)

17. COMMITMENTS

During the fiscal year ended January 31, 2011, the Corporation contracted \$526,000 (US\$525,000) in letters of credit on January 31, 2011 (\$800,000 on January 31, 2010).

As at January 31, 2011, the Corporation was committed under operating leases for car and office equipment rentals. These commitments amounted to \$207,000, for which minimum annual payments due for the next five fiscal years are as follows: \$94,000 in 2012, \$75,000 in 2013, \$35,000 in 2014, \$3,000 in 2015 and none in 2016.

18. CONTINGENCIES

a) Bonding Agreements

In the normal course of business, the Corporation may be required by clients to provide performance bonds for the execution of work. In order to provide such bonds, some subsidiaries of the Corporation have entered into general indemnity agreements with bonding companies. To guarantee their obligations under the terms of these agreements, the Corporation and these subsidiaries have granted the bonding companies a movable hypothec on certain assets such as rights, titles, licences, equipment and work in progress.

b) Litigation

In the normal course of business, the Corporation becomes involved in various legal proceedings. While the final outcome with respect to legal proceedings pending as at January 31, 2011 cannot be predicted with certainty, Management believes that their resolution will not have a material adverse effect on the financial position or results of the Corporation.

c) Indemnity Agreement

The Corporation entered into an indemnity agreement when it sold a subsidiary in 2004. This former subsidiary is currently involved in legal proceedings. The impact and the sums that could be due by the Corporation under the terms of this indemnity agreement were subject to the recognition on January 31, 2009 of a provision for an expected loss at more than \$1,000,000, including legal fees incurred at that date. At January 31, 2011, there was no significant development with regard to this lawsuit.

19. RELATED-PARTY TRANSACTIONS

In the normal course of business, certain transactions were concluded with companies held by controlling shareholders. These transactions, summarized below, are measured at the exchange value, which approaches the market value:

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Management fees	1,294	1,487

20. PENSION PLAN

The Corporation offers to all eligible employees a defined contribution pension plan for which the Corporation contributes an amount equal to a percentage of the employee's salary or equal to a predetermined amount. The expense related to this pension plan amounted to \$302,000 in the fiscal year ended January 31, 2011 (\$329,000 in 2010).

21. CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

- Maintain a structure in order to optimize the cost of capital based on an acceptable risk level, while offering an adequate return to shareholders;
- Manage capital in an optimal manner, while ensuring that the lenders' financial covenants are respected;
- Manage capital in order to uphold a bonding capacity in line with the Corporation's growth objectives; and
- Further increase capital in order to preserve the trust of investors, lenders, suppliers and clients.

The Corporation defines capital as the sum of shareholders' equity, long-term debt, including current portion, and short-term bank loans, where appropriate.

The Corporation has not made any change to its capital management since the fiscal year ended January 31, 2009. Generally, the Corporation manages its capital structure and make adjustments based on the objectives previously mentioned, economic trends, as well as all underlying risks related to the contracts in hand. In order to adjust its capital, the Corporation could issue new shares, make exceptional repayments on its long-term debt prior to its maturity or incur new debts.

In order to uphold or readjust its capital structure, the Corporation can:

- Issue new treasury shares;
- Redeem subordinate voting shares;
- Sell certain assets to reduce indebtedness; and
- Amend the dividend paid to shareholders.

In addition, the "Liabilities to Shareholders' Equity" ratio is used by the Corporation to periodically monitor its capital. This ratio indicates the extent to which the Corporation uses debt to finance its operations and measures the relationship between the Corporation's indebtedness and capital invested by its shareholders. It represents the Corporation's total liabilities over shareholders' equity. However, this financial indicator is a non-GAAP measure and therefore may not be comparable to similar measurements presented by other issuers.

As at January 31,	2011	2010
(In thousands of \$, except ratio)	\$	\$
Current and long-term liabilities	19,322	14,703
Shareholders' equity	89,136	88,665
Liabilities to shareholders' equity ratio	0.22:1	0.17:1

The Corporation's goal is to maintain this ratio below 1:1. However, this objective could be reviewed in light of potential development projects that ADF will deem strategic and favourable.

22. FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to market, credit and credit concentration, and liquidity risks.

- **Market Risk**

Risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to distinct financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is particularly exposed to the following market risks:

 - *Foreign exchange risk*
 - *Interest rate risk*
- **Credit and Credit Concentration Risks**

Credit risk – Risk that a party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations.

Credit concentration risk – Risk that the business is concentrated on a limited number of clients and financial institutions, which might increase the credit risk, as defined above.
- **Liquidity Risk**

Risk that an entity will encounter difficulties in meeting its commitments associated with financial liabilities.

a) **Market Risk**

The Corporation is exposed to risks of various importance that could have an impact on its capacity to reach its strategic growth objectives. The Corporation aims to control and mitigate its financial risks through management practices that require the identification and analysis of the risks related to its operations. Periodic monitoring and review of these risks are performed based on market conditions and the Corporation's level of activity.

The following are a description of the main financial risks to which the Corporation is exposed:

— *Foreign Exchange Risk*

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since the majority of its revenues is recorded in U.S. dollars, i.e. approximately 99% during the fiscal year ended January 31, 2011, (84% for the fiscal year ended January 31, 2010). Pursuant to its foreign currency hedge policy, the Corporation uses different mechanisms to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in U.S. dollars when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in U.S. dollars;
- Conversion of the long-term debt in U.S. dollars; and
- Using forward foreign exchange contracts to hedge part of the residual exchange risk.

The following table summarizes the operations related to forward foreign exchange contracts:

Fiscal years ended January 31, (In thousands of \$, except rates)	2011			2010		
	US\$	CA\$	Average Rate	US\$	CA\$	Average Rate
Balance, beginning of the year	17,000	19,080	1.1224	15,000	17,340	1.1560
Acquisitions	27,000	28,395	1.0517	30,000	35,068	1.1689
Matured	(27,500)	(30,147)	1.0963	(28,000)	(33,328)	1.1903
Balance, end of the year	16,500	17,328	1.0502	17,000	19,080	1.1224

The balance of unmatured forward foreign exchange contracts totalled US\$16,500,000 as at January 31, 2011 (US\$17,000,000 on January 31, 2010) representing 25% of the net risk (45% on January 31, 2010) between the future cash inflows and outflows denominated in U.S. dollars in regard to the order backlog in hand for the fiscal year ended January 31, 2012. These forward foreign exchange contracts mature as follows: US\$7,500,000 in April 2011, US\$7,500,000 in July 2011, US\$1,500,000 in October 2011.

These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each period since they are not designated as part of an effective hedging relationship. As at January 31, 2011, unmatured forward foreign exchange contracts in the amount of US\$16,500,000 had a favourable fair value position of \$741,000. Moreover, the Corporation collected \$2,273,000 with regard to an exchange gain on contracts that matured during the year, and a fair value of US\$27,500,000, at an average rate of CA\$1.0963 for US\$1.00. The portion of the gain on foreign exchange related to the derivative financial instruments included in "(Gain) loss on foreign exchange" totalled \$2,182,000 taking into account the favourable position of \$832,000 at January 31, 2010.

As at January 31, 2011, assets and liabilities denominated in U.S. dollars included the following amounts:

(In thousands of \$)	US\$	CA\$
Cash and cash equivalents	12,868	12,888
Accounts receivable	22,118	22,151
Holdbacks on contracts receivable	3,723	3,728
Work in progress	402	403
Future income tax assets	6,764	6,774
	45,875	45,944
Accounts payable and accrued charges	(1,528)	(1,530)
Deferred revenues	(5,111)	(5,119)
Long-term debt	(8,355)	(8,368)
Other liabilities	(228)	(228)
	(15,222)	(15,245)
Net currency risk related to the balance sheet items	30,653	30,699
Forward foreign exchange contracts	(16,500)	(17,328)
Net foreign exchange position	14,153	13,371

Every 10% fluctuation in the exchange rate between the Canadian and U.S. dollars could result in a \$3,070,000 variation in earnings before income taxes, taking into account this net foreign exchange position.

However, this information does not take into account the impact of the fluctuations in foreign exchange on revenues and other miscellaneous expenses for a complete fiscal year.

— Interest Rate Risk

The Corporation is exposed to interest rate fluctuations mainly because of the floating interest rate of its credit facility and the majority of its long-term debt (refer to Notes 10 and 12). In addition, the interest rate fluctuations could also affect the Corporation's interest income generated by the cash and cash equivalents.

The Corporation's interest rate policy generally requires that an appropriate mix between fixed interest and floating interest debts be maintained to reduce the net impact of interest rate fluctuations.

To mitigate its interest rate risk, the Corporation concluded, on April 28, 2010, an interest-rate swap in order to receive a fixed rate expense on 25% of the corresponding floating rate debt. This agreement required an adjustment of the monthly interest payments, representing the difference between the monthly US\$ LIBOR rate and the fixed interest rate of 2.02%. The swap was designed to duplicate the monthly repayment terms of the underlying debt, except for prepayments. On January 31, 2011, a sum of \$45,000 was recognized in the Corporation's liabilities under "Derivative Financial Instruments", representing the fair value of this interest-rate swap in return for an increase in the interest on long-term debt in the consolidated statements of earnings.

The Corporation estimates that a 1% fluctuation in the long-term debt's effective interest rate would have had an impact of approximately \$75,000 on earnings before income taxes. However, the impact of the fluctuation in effective rates on interest expenses could be partially offset by the impact of the same fluctuation on interest income from cash, cash equivalents and short-term investments.

b) Credit Risk and Credit Concentration Risk

In the normal course of business, the Corporation's exposure to credit risks results from the possibility that a client or financial institution may default, in part or in whole, on their financial obligations as they come due. Concentration of credit risk relates to cash equivalents, short-term investments, accounts receivable and holdbacks on contracts.

Cash equivalents, as well as short-term investments, are mainly risk-free or low risk investments, such as term deposits, bonds or mutual funds. None of the cash equivalents or short-term investments consists of asset-backed commercial paper. The Corporation has deposited its cash equivalents and short-term investments with recognized financial institutions.

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients, declares their contracts directly to the owner and when relevant, to the bonding company involved in the project, and finally establishes allowances for doubtful accounts, if applicable. For other accounts receivable, the Corporation determines, on a continuing basis, the probable losses and establishes a provision for losses based on the estimated realizable value. Most of the order backlog in hand at January 31, 2011 consists of projects financed by government agencies.

Credit risk with respect to accounts receivable is mitigated by the available mechanisms of protection in case of non-payment, such as a lien on a building, and given that the Corporation's clients tend to be large general contractors, or companies doing business with large contractors governed by rigorous practices and servicing adequately funded projects.

Credit risk arising from the concentration of its clients is also mitigated through monitoring and the measures available to the Corporation, as previously described. Two clients accounted for most of the revenues generated during the fiscal year ended January 31, 2011 (70% of revenues were generated with two clients during the fiscal year ended January 31, 2010). As at January 31, 2011, 92% of contracts receivable was concentrated with one client (84% of contracts receivable attributable to one client as at January 31, 2010). It should be noted that given the specialization of its market niche, such concentration risk is virtually inevitable.

As at January 31, 2011, 46.9% of contracts receivable, representing a total amount of \$10,459,000 (compared with 8.5% or \$1,162,000 on January 31, 2010), were overdue under contractual terms. Management estimates that most of these accounts are not considered doubtful. The book value of the contract receivables is reduced by a specific allowance for doubtful accounts. However, because most of the contracts in hand are financed by government agencies, the delay in the collection of contracts receivable could be affected upward.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to fulfill its obligations as they come due. To fund its liquidity requirements, the Corporation uses cash flows from operations, the credit facility, issuance of debt and issuance of shares. In addition, the Corporation has a policy of targeting contracts that can generate positive cash flows throughout their execution.

As at January 31, 2011, accounts payable and accrued charges that were due by the Corporation in the next 12 months totalled \$5,365,000. Monthly long-term debt instalments will amount to US\$2,400,000 and \$109,000 for the 12-month period ending January 31, 2012 (see Note 12 "Long-Term Debt"). As at January 31, 2011, in addition to an unused credit facility of \$10,000,000, the Corporation's cash, cash equivalents and short-term investments totalled \$21,464,000. Considering the available liquidities to meet its obligations, the Corporation's exposure to liquidity risk is nominal.

23. FINANCIAL INSTRUMENTS

As at January 31, 2011 and 2010, the book value per class of financial assets and liabilities was as follows:

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Assets held for trading:		
Cash and cash equivalents	18,677	5,770
Short-term investments	2,787	11,652
	21,464	17,422
Loans and receivables		
Accounts receivable	22,802	14,850
Holdbacks on contract receivables	3,729	3,989
	26,531	18,839
Assets classified as available for sale		
Equity investments	163	163
	163	163
Financial liabilities		
Accounts payable and accrued charges	5,365	4,681
Long-term debt	8,664	7,067
	14,029	11,748

As at January 31, 2011 and 2010, the fair value of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and accrued charges was similar to their book value because of their upcoming expiry dates.

As at January 31, 2011 and 2010, the book value of the equity investments reflected their fair value since these investments are classified as available for sale and, consequently, are measured at their fair value at the end of every period.

The fair value of the long-term debt did not differ significantly from its book value as at January 31, 2011 and 2010, since the long-term debt bears floating rates, and the Corporation believes it can obtain similar terms and maturity dates at year-end.

— Fair Value Hierarchy of Financial Assets and Liabilities

The fair value of a financial instrument is the price a willing buyer would pay a willing seller if neither was under any compulsion to buy or sell, under arm's length conditions. During 2009, CICA Handbook Section 3862 was amended to include new requirements about disclosures of the data used to measure the fair values of its financial instruments, and includes the classification of financial instruments measured at fair value on the balance sheet within the following hierarchies:

Level 1: Measurement according to unadjusted quoted price in active markets for identical assets or liabilities.

Level 2: Measurement methods based primarily on inputs, other than quoted prices, that are observable either directly or indirectly on the market.

Level 3: Assessment methods that are not based primarily on observable market data.

The classification of a financial instrument's fair value is determined on the basis of the lowest level input that is significant to the fair value measurement of this financial instrument in its entirety.

The Corporation classified its cash, cash equivalents, short-term investments, equity investments, interest-rate swaps and forward foreign exchange contracts, within fair value level 1, since they are based on inputs that are observable in an active market.

24. SEGMENTED INFORMATION

The Corporation operates in the non-residential construction sector, primarily in the United States and Canada. Its operations include the connections design and engineering, fabrication and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork.

Fiscal years ended January 31,	2011	2010
(In thousands of \$)	\$	\$
Revenues		
Canada	698	10,312
United States	54,570	55,428
	55,268	65,740

As at January 31,	2011	2010
(In thousands of \$)	\$	\$
Property, Plant and Equipment		
Canada	42,130	42,620
United States	97	140
	42,227	42,760

During the fiscal year ended January 31, 2011, one client accounted for 90% of the Corporation's revenues (70% of revenues were realized with two clients, each of which accounted for more than 10% of revenues, during the fiscal year ended January 31, 2010). However, revenues were recorded on five distinct contracts with one client during fiscal year ended January 31, 2011.

25. COMPARATIVE FIGURES

Certain figures for the fiscal year ended January 31, 2010 have been reclassified to conform to the presentation adopted for the fiscal year ended January 31, 2011.

26. SUBSEQUENT EVENTS

On April 13, 2011, following the Board of Directors' approval, the Corporation announced the establishment of a dividend policy, as well as the initial payment of a semi-annual dividend of \$0.01 per share, payable on May 16, 2011 to shareholders of record on April 29, 2011. Subject to subsequent approvals, and taking into account its current shareholding, the Corporation expects that these dividends will result in an annual outflow of just under \$700,000.