ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JANUARY 31, 2017

FORWARD-LOOKING STATEMENTS

Management of ADF Group Inc. wishes to inform the reader that this document contains forward-looking statements within the meaning of applicable securities laws, in which Management's expectations regarding ADF Group Inc.'s future performance may be discussed. These forward-looking statements include information concerning ADF Group's probable or foreseeable future operating results and financial position, and involve certain risks and uncertainties with regard to their future realization. These forward-looking statements are based on currently available data in regard to competition, financial position, economic conditions and operating plans. The principal risks and uncertainties that could affect ADF Group Inc.'s results, such that those results could differ materially from those expressed in any forward-looking statements, are presented in Sections "Current Economic Environment" and "External Factors to Which the Corporation's Performance is Exposed" of the MD&A Report for the fiscal year ended January 31, 2017.

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TO OUR SHAREHOLDERS

The consolidated financial statements and all other information in the Management's Discussion and Analysis (MD&A) 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 International Financial Reporting Standards ("IFRS") 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 financial information is reliable and assets are safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements included in this MD&A, primarily through its Audit Committee, consisting of independent directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The independent auditor appointed by the shareholders has full access to the Audit Committee, with or without Management being present.

The firm PricewaterhouseCoopers LLP, a partnership of Chartered Professional 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.

Mr. Jean Paschini

/ Signed /

Co-Chairman of the Board of Directors
and Chief Executive Officer

Mr. Jean-François Boursier, CPA, CA

/ Signed /

Chief Financial Officer

Terrebonne, Quebec, Canada, April 12, 2017

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 statements of financial position as at January 31, 2017 and 2016 and the consolidated statements of income, comprehensive income (loss), change in shareholders' equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 International Financial Reporting Standards (IFRS), 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, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

/ Signed / (1)

Montréal, Quebec Canada, April 12, 2017

(1) CPA auditor, CA, public accountancy Permit No. A123498

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31,	**2017**	2016
(In thousands of Canadian dollars)	**$**	$
ASSETS		
Current assets		
Cash and cash equivalents	**334**	2,377
Accounts receivable (Note 5)	**22,326**	23,146
Holdbacks on contracts (Note 16)	**3,613**	1,693
Income tax assets	**842**	—
Work in progress (Note 16)	**21,077**	7,521
Inventories (Note 6)	**6,957**	6,180
Derivative financial instruments (Note 28)	**696**	—
Prepaid expenses and other current assets (Note 7)	**1,137**	1,889
Total current assets	**56,982**	42,806
Non-current assets		
Property, plant and equipment (Note 8)	**90,060**	91,067
Intangible assets (Note 9)	**2,920**	2,871
Other non-current assets (Note 10)	**3,406**	3,337
Deferred income tax assets (Note 21)	**5,316**	6,390
Total assets	**158,684**	146,471
LIABILITIES		
Current liabilities		
Credit facilities (Note 11)	**13,336**	—
Accounts payable and other current liabilities (Note 12)	**16,585**	17,772
Income tax liability	**184**	49
Deferred revenues (Note 16)	**1,264**	2,753
Derivative financial instruments (Note 28)	**—**	403
Current portion of long-term debt (Note 13)	**844**	868
Total current liabilities	**32,213**	21,845
Non-current liabilities		
Long-term debt (Note 13)	**17,870**	14,351
Deferred income tax liabilities (Note 21)	**2,951**	2,742
Total liabilities	**53,034**	38,938
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	**68,088**	68,077
Contributed surplus	**6,422**	6,397
Accumulated other comprehensive income (loss) (Note 15)	**6,741**	9,507
Retained income	**24,399**	23,552
Total shareholders' equity	**105,650**	107,533
Total liabilities and shareholders' equity	**158,684**	146,471

The accompanying notes are an integral part of these consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS,

Director

/ Signed /

Mr. Jean Paschini

Director

/ Signed /

Mr. Frank Di Tomaso, FCPA, FCA, ICD.D

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of Canadian dollars and in dollars per share)	**$**	$
Revenues (Note 16)	**102,846**	98,089
Cost of goods sold (Note 17)	**85,635**	84,069
Gross Margin	**17,211**	14,020
Selling and administrative expenses (Note 17)	**13,436**	11,391
Financial revenues	**(49)**	(79)
Financial expenses (Note 13)	**1,057**	574
Other losses (gains) (Note 20)	**254**	(653)
	14,698	11,233
Income before income tax expense	**2,513**	2,787
Income tax expense (Note 21)	**1,014**	1,088
Net income for the year	**1,499**	1,699
Earnings per share		
Basic and diluted per share (Note 22)	**0.05**	0.05
Average number of outstanding shares (in thousands) (Note 22)	**32,624**	32,597
Average number of outstanding diluted shares (in thousands) (Note 22)	**32,686**	32,807

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of Canadian dollars)	**$**	$
Net income for the year	**1,499**	1,699
Other comprehensive income (loss) (Note 15) [a] :		
Exchange differences on translation of foreign operations	**(2,816)**	3,672
Change in value of available-for-sale financial assets [b]	**50**	—
	(2,766)	3,672
Comprehensive income (loss) for the year	**(1,267)**	5,371

a) Will subsequently be reclassified to net income.
b) Net of an immaterial amount related income tax expense for the fiscal year ended January 31, 2017.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)	**Capital Stock (Note 14)**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Income**	**Total**
	$	$	$	$	$
Balance, February 1, 2015	69,185	6,433	5,835	22,505	103,958
Net income for the year	—	—	—	1,699	1,699
Other comprehensive income (loss)	—	—	3,672	—	3,672
Comprehensive income (loss) for the year	—	—	3,672	1,699	5,371
Share-based compensation (Note 14)	—	44	—	—	44
Redemption of subordinate voting shares (Note 14)	(2,282)	364	—	—	(1,918)
Options exercised	1,174	(444)	—	—	730
Dividends (Note 14)	—	—	—	(652)	(652)
Balance, January 31, 2016	68,077	6,397	9,507	23,552	107,533

(In thousands of Canadian dollars)	**Capital Stock (Note 14)**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Income**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, February 1, 2016	**68,077**	**6,397**	**9,507**	**23,552**	**107,533**
Net income for the year	**—**	**—**	**—**	**1,499**	**1,499**
Other comprehensive income (loss)	**—**	**—**	**(2,766)**	**—**	**(2,766)**
Comprehensive income (loss) for the year	**—**	**—**	**(2,766)**	**1,499**	**(1,267)**
Share-based compensation (Note 14)	**—**	**30**	**—**	**—**	**30**
Options exercised	**11**	**(5)**	**—**	**—**	**6**
Dividends (Note 14)	**—**	**—**	**—**	**(652)**	**(652)**
Balance, January 31, 2017	**68,088**	**6,422**	**6,741**	**24,399**	**105,650**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of Canadian dollars)	**$**	$
OPERATING ACTIVITIES		
Net income for the year	**1,499**	1,699
Non-cash items:		
Amortization of property, plant and equipment (Note 8)	**4,326**	4,294
Amortization of intangible assets (Note 9)	**361**	321
Gain on disposal of property, plant and equipment (Note 20)	**—**	(618)
Unrealized gain on derivative financial instruments	**(1,099)**	(712)
Non-cash exchange loss (gain)	**683**	(709)
Share-based compensation (Note 14)	**951**	44
Income tax expense	**1,014**	1,088
Inventories depreciation allowance	**209**	—
Financial revenues	**(49)**	(79)
Financial expenses	**1,057**	574
Net income adjusted for non-cash items	**8,952**	5,902
Changes in non-cash working capital items (Note 23)	**(18,686)**	(7,059)
Income tax paid	**(901)**	—
Cash flows from (used in) operating activities	**(10,635)**	(1,157)
INVESTING ACTIVITIES		
Disposal of short-term investments	**—**	778
Net acquisition of property, plant and equipment (Note 8)	**(6,809)**	(8,591)
Revenues from disposals of property, plant and equipment (Note 8)	**—**	1,457
Acquisition of intangible assets (Note 9)	**(410)**	(411)
(Increase) decrease in other non-current assets	**(12)**	641
Interest received	**49**	96
Cash flows from (used in) investing activities	**(7,182)**	(6,030)
FINANCING ACTIVITIES		
Variation in credit facilities (Note 11)	**13,329**	—
Issuance of long-term debt (Note 13)	**5,000**	5,000
Financing costs relating to the debt (Note 13)	**—**	(107)
Repayment of long-term debt	**(816)**	(772)
Redemption of subordinate voting shares (Note 14)	**—**	(1,918)
Issuance of subordinate voting shares (Note 14)	**6**	730
Dividends paid (Note 14)	**(652)**	(652)
Interest paid	**(1,040)**	(552)
Cash flows from (used in) financing activities	**15,827**	1,729
Impact of fluctuations in foreign exchange rate on cash flow	**(53)**	(111)
Net change in cash and cash equivalents during the fiscal year	**(2,043)**	(5,569)
Cash and cash equivalents, beginning of year	**2,377**	7,946
Cash and cash equivalents, end of year	**334**	2,377

Supplemental information on cash flows is provided in Note 23.

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1
NATURE OF BUSINESS

ADF GROUP INC. ("ADF", "ADF Group" or "the Corporation") is the parent company and is incorporated under the Canada Business Corporations Act. Its head office is located at 300 Henry-Bessemer Street, in Terrebonne, Quebec. The Corporation's securities are traded on the Toronto Stock Exchange under the ticker symbol DRX. The Corporation operates two fabrication plants and two paint shops, in Canada and in the United States. The Corporation concentrates its activities in the design and engineering of connections, fabrication, including industrial coating, and the 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 industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes, and transport infrastructures.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board, and were approved by the Corporation's Board of Directors on April 12, 2017 and they have been signed on its behalf.

2.2 **Basis of Assessment**

These consolidated financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments measured at the fair value, as described in the accounting policies hereinafter. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are summarized below.

a. **Principles of Consolidation**

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are those entities, which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases. Inter-company transactions and balances have been eliminated.

The table below summarizes the Corporation's subsidiaries as at January 31, 2017 and 2016 and the Corporation's percentage of ownership held directly or indirectly. All of these interests are consolidated in the Corporation's consolidated financial statements.

Subsidiaries	Countries of Incorporation	Activity Sectors	Percentage of Shareholders' Equity Held	
			January 31, 2017	January 31, 2016
ADF Group USA Inc.	United States	Holding	**100%**	100%
ADF Industrial Coating Inc.	United States	Sales and surface treatment	**100%**	100%
ADF International Inc.	United States	Sales, fabrication and installation services	**100%**	100%
ADF Steel Corp.	United States	Sales and other services	**100%**	100%
ADF Structural Steel Inc.	United States	Sales, fabrication, installation services and engineering	**100%**	100%

b. **Foreign Currency Translation**

i. **Functional and Reporting Currency**

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are disclosed in Canadian dollars, which is the Corporation's reporting currency.

The financial statements of entities whose functional currency differs from that of the Corporation (foreign operations) are translated into Canadian dollars as follows:

— Assets and liabilities – at the closing rate at the date of the statement of financial position, and

— Revenues and expenses – at the average rate of the monthly period (considered a reasonable approximation to the actual rates in effect at the date of transactions).

All resulting changes are recognized in other comprehensive income (loss) as exchange differences on translation of foreign operations.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated exchange differences in other comprehensive income (loss) related to the foreign operation are recognized in net income. When an entity disposes of part of an interest in a foreign operation, which remains its subsidiary, the proportionate amount of the cumulative translation differences recognized in other comprehensive income (loss) related to the subsidiary is reallocated between controlling and non-controlling interests.

ii. **Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Translation differences resulting from the settlement of foreign currency transactions and from the translation at the exchange rates effective at the reporting date of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in "Other Losses (Gains)" in the Consolidated Statement of Income.

c. **Revenue and Cost Recognition**

The Corporation recognizes revenues and costs recorded for each contract and for each given financial period in accordance with IAS 11 "Construction Contracts".

A construction contract ("contract"), as defined by IAS 11, is a contract specifically negotiated for the construction of an asset. Contract costs are recognized as expenses in the period in which they are incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenues are recognized in the period in which the contract is realized. When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognized as an expense immediately.

The Corporation uses the percentage-of-completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are disclosed as inventories, prepaid expenses or other assets, depending on their nature.

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 when applying business practices, the 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. Generally, 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 generally recognized upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized. This situation often leads to the recognition of losses before an agreement is reached with the client, since profits are recognized when the negotiated agreement is signed.

The mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one period 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 period to period 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.

d. **Contracts Receivable**

Contracts with clients generally provide that billing must be done periodically in accordance with the extent of work carried out under the contracts. Contracts receivable arise principally from the invoicing of the work in accordance with the contractual terms. Holdbacks on contracts receivable represent the amounts retained by the project owner as per milestones established in the contract.

e. **Work in Progress and Deferred Revenues**

Work in progress represents revenues earned under the percentage-of-completion method, which has not been billed. Deferred revenues represent amounts billed on contracts in excess of the revenues allowed to be recognized under the percentage-of-completion method on those contracts.

f. **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, amounts deposited in banks, and other short-term highly liquid investments, the case may be, with original maturities of three (3) months or less that can be bought back at any time without penalty.

g. **Inventories**

Inventories, predominantly raw material (steel), are valued at the lower of cost or net realizable value. The cost is determined using the specific cost method. The net realizable value is the estimated selling price less the estimated costs required to realize the sale. An impairment is recognized if the carrying amount exceeds the net recoverable value. The impairment amount may be reversed during a subsequent period when circumstances justifying that impairment no longer exist.

h. **Property, Plant and Equipment and Amortization**

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment. The cost includes expenses that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, where appropriate, only when it is likely that future economic benefits associated with the item will flow to the Corporation and the cost of this asset can be measured reliably. Costs of maintenance and repair are recorded as expenses in the consolidated statement of income in the period in which they are incurred.

The main property, plant and equipment categories are amortized using the straight-line method, which allocates the costs of depreciable assets over the estimated useful life of a component, as follows:

— Buildings and improvement to lands over periods varying from 15 to 110 years;

— Equipment and overhead cranes over periods varying from 2 to 30 years; and

— Office furniture, rolling stock and computer hardware over periods varying from 3 to 30 years.

The Corporation allocates the initially recognized amount of property, plant and equipment to its significant components and depreciates each component separately. The carrying amount of a replaced component is derecognized upon replacement. The residual value, amortization method and useful life of property, plant and equipment are reviewed every year and adjusted if required.

i. **Borrowing Costs**

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as financial expenses in the statement of income in the period in which they are incurred.

j. **Intangible Assets and Amortization**

Identifiable intangible assets, which are mainly made up of software with a determined useful life are recognized at cost and amortized at fixed rates based on their estimated useful life, that is, based on the straight-line method on a 3 to 18-year period.

The amortization method and useful life of intangible assets are reviewed every year and adjusted as required.

k. **Impairment of Non-Financial Assets**

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, being the present value of the expected future cash flows of the relevant asset or CGU.

The impairment losses, as well as profits and losses resulting from the disposal of property, plant and equipment and intangible assets, are included in the Consolidated Statement of Income.

The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

l. **Lease Agreements**

Lease agreements, in which substantially all the risks and rewards of ownership of an asset are transferred to the Corporation, are classified as finance lease agreements. On initial recognition, the leased asset is carried at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Following initial recognition, the asset is carried using the applicable accounting method for that type of asset.

All other leases are operating leases and, accordingly, the related leased asset is not included in the Corporation's Consolidated Statement of Financial Position. Lease payments under an operating lease are recognized in net income on a straight-line basis over the lease term.

m. **Income Tax Expense**

Income tax expense includes current and deferred income tax. Income tax expense is recognized in the Consolidated Statement of Income except to the extent that it relates to items recognized directly in other comprehensive income (loss) or in shareholders' equity, in which case, the income tax is also recognized directly in other comprehensive income (loss) or in shareholders' equity.

Current tax is the expected income tax payable on the taxable income for the fiscal year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous fiscal years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the closing date and are expected to apply when the deferred income tax asset or liability is settled. A deferred income tax asset is recognized to the extent that it is likely that the asset can be recovered.

Deferred income tax assets and liabilities are recognized on temporary differences arising on investments in subsidiaries, unless the timing of the reversal of the temporary difference is controlled by the Corporation and it is likely that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities in the Consolidated Statement of Financial Position.

n. **Tax Credits and Government Grants**

In the course of its business, the Corporation may receive government grants, which are accounted for in accordance with Standard IAS 20, "Accounting for Government Grants" and recorded against the expenses or in reduction of the related capital assets. The Corporation also benefits from tax credits derived from investments, jobs creation, labor force training and scientific research and experimental development ("SR&ED") activities. These tax credits are also 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 period in which they are incurred.

Tax credits and government grants receivable are discounted when the effect of the time value of money is material.

o. **Share-Based Compensation and Other Share-Based Payments**

The Corporation awards stock options to certain of its employees and external directors. These options vest equally over a period of up to five-year and all options have 10-years life from the grant date. Each tranche is considered as a separate award with its own vesting period and its own fair value at the grant date. The fair value of each tranche is measured using the Black-Scholes valuation model at the date of the grant. The compensation expense is recognized over the tranche's vesting period of the options, and increases contributed surplus. The number of options granted to vest is revised at least once a year, and changes in estimates are immediately charged to compensation expense, with a corresponding amount recognized as a contributed surplus adjustment.

p. **Deferred Share Units ("DSU")**

The Deferred Share Units Plan allows every external director, who elects to participate, to defer in whole or in part his director's compensation (including fees and attendance fees), by choosing to receive a percentage of this compensation in the form of DSU, which will be bought back in cash by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director. When an external director elects to participate in this plan, the Corporation credits the director's account for a number of units equal to the deferred compensation, divided by the market value of the Corporation's subordinate voting shares calculated using the average closing price of the five (5) trading days preceding the date of award. DSU are not convertible into shares of the Corporation and do not result in a dilution to shareholders.

In addition and independently to DSU that can be granted to external directors for the purposes to defer their directors' compensation, the Deferred Share Units Plan also allows the Corporation's Board of Directors to grant, at its discretion, DSUs to any external director, executive officer and key employee. If it sees fit, the Board of Directors can attach conditions related to time and/or to the Corporation's performance to the vesting of these DSU. In the event a condition is attached to a DSU, every unvested DSU at the date of repurchase will be cancelled without consideration. However, in the event of a change of control, unvested DSU will be considered vested, immediately prior to the occurrence of this change of control.

When the Corporation pays dividends on subordinate voting shares, the accounts of the directors, executive officers and key employees are credited for the amount in the form of additional units using the same calculation method previously described.

For each DSU awarded and changes in the fair value, the Corporation recognizes a compensation expense with the counterpart entry in "Accounts payable and other current liabilities" of the consolidated statement of financial position.

q. **Earnings Per Share**

Basic earnings per share are based using the weighted average number of voting shares issued and outstanding and is obtained by dividing net income by the weighted average number of outstanding shares during the period. Diluted earnings per share are obtained by dividing basic net income by the sum of the weighted average number of voting shares used to calculate basic 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.

r. **Financial Instruments**

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset with the net balance recorded in the Consolidated Statement of Financial Position when there is legal enforceable right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories:

i. **Financial Assets and Liabilities at Fair Value Through Net Income**

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Assets and liabilities in this category include derivatives that do not qualify as hedges.

The Corporation can use interest rate swaps as derivatives to manage the risks related to its floating-rate loans, as well as foreign exchange contracts and/or foreign currency options to mitigate its exposure to foreign exchange rate fluctuations on its foreign currency transactions, and assets and liabilities. All derivatives have been classified as held-for-trading. They are included in "Derivative financial instruments" in the Consolidated Statement of Financial Position, and are classified as current, except for the portion expected to be realized or paid beyond 12 months of the Consolidated Statement of Financial Position date, which is classified as non-current. Financial instruments in this category are recognized initially and subsequently at fair value.

Transaction costs, as well as gains and losses resulting from a re-evaluation in the fair value of the interest rate swaps are included in the financial charges, whereas these same items, for the foreign exchange contracts and foreign currency options, are recorded as part of the "Other losses (gains)" in net income for the period in which they arise.

ii. **Available-for-Sale Financial Assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Corporation’s available-for-sale financial assets comprise investments in publicly traded companies.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently measured at fair value. Gains or losses from revaluation are recognized in other comprehensive income (loss). When an available-for-sale financial asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to net income. Available-for-sale financial assets are classified as non-current, unless an investment matures within 12 months or if Management expects to dispose of it within 12 months.

Dividends on available-for-sale equity instruments are recognized in the Consolidated Statement of Income as dividend income when the Corporation’s right to receive payment is established.

iii. **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation’s loans and receivables comprise cash and cash equivalents, accounts receivable, holdbacks on contracts and other current assets, are included in current assets due to their short period to maturity, except for the portion expected to be realized or paid beyond 12 months of the consolidated statement of financial position date, which is classified as non-current. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv. **Financial Liabilities at Amortized Cost**

Financial liabilities at amortized cost include credit facilities, accounts payable and other current liabilities, as well as the long-term debt. Credit facilities, accounts payable and other current liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, credit facilities, accounts payable and other current liabilities are measured at amortized cost using the effective interest method. The long-term debt is recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest method. The financial liabilities at amortized cost are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

v. **Financial Assets Held-to-Maturity**

They represent non-derivatives financial assets recognized at amortized cost using the effective interest method. The Corporation does not hold any financial assets that are classified as held-to-maturity.

The transaction costs are capitalized to the costs of financial assets and liabilities that are not classified as fair value through net income. Therefore, the transaction costs applied to the long-term debt are classified against the long-term debt and amortized using the effective interest method.

s. **Hedging Relationships**

In accordance with its foreign currency hedge policy, the Corporation can use financial derivative instruments such as foreign exchange contracts and foreign currency options to eliminate or mitigate the risk of exchange rate fluctuations on its foreign currency transactions, assets and liabilities. Management is responsible for establishing 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 elect to apply hedge accounting, the foreign exchange forward contracts and foreign currency options are recognized at their fair value at the end of each period. Consequently, the gains or losses from the revaluation are presented in net income under "Other losses (gains)" as defined under Note 2 r) hereinabove.

The Corporation is also exposed to a foreign exchange risk stemming from net investments in its foreign subsidiaries having a reporting currency that differs from the Corporations' functional currency. To protect itself against this risk, the Corporation can use hedge accounting by assigning certain of its U.S. denominated debts as a hedge of net investments in foreign operations.

Hedges of net investments are as follows:

— All gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income (loss). The gains or losses relating to the ineffective portion are directly recognized in the consolidated statement of income (loss); and

— The gains or losses accumulated in shareholders' equity are included in the consolidated statement of income when the foreign operation is partially divested or sold.

t. **Impairment of Financial Assets**

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired (other than a financial asset classified in financial assets at fair value through net income). If such evidence exists, the Corporation recognizes impairment as follows:

i. **Financial Assets Carried at Amortized Cost**

The impairment loss is the difference between the amortized cost of the loan or receivable and the actual value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The financial asset's carrying amount is reduced by this amount.

ii. **Available-for-Sale Financial Assets**

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income (loss) that is reclassified to net income.

Impairments on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases, and the decrease can be related objectively to an event occurring after impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

u. **Pension Plan**

The Corporation offers its eligible employees a defined contribution pension plan for which it can contribute an amount equal to the employee's contribution or an amount predetermined under the collective bargaining agreements. The contributions to the pension plan are primarily disbursed on a monthly basis. Contributions are charged to net income under "Cost of goods sold" and "Selling and administrative expenses", when they are payable.

v. **Segmented Information**

The Corporation operates in the non-residential construction industry, primarily in the United States and Canada. The Corporation operational areas are consistently presented with the internal reports provided to the Chief Executive Officer (the chief operating decision–maker).

w. **Dividends**

The dividends on shares approved by the Board of Directors are recognized in the financial statements in the period in which they are declared.

NOTE 3
RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

a. **IFRS 9 "Financial Instruments"**

In November 2009, the IASB issued IFRS 9 - Financial Instruments. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income (loss) indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments.

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. The new standard will replace IAS 39 - Financial Instruments: Recognition and Measurement. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income (loss). The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income (loss), lease receivables, contract assets and certain written loan commitments and financial guarantee contracts.

The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. The Corporation is still evaluating the impact of these changes on its consolidated financial statements.

b. **IFRS 15 "Revenue from Contracts with Customers"**

The IASB published in May 2014, the IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and a number of revenue-related interpretations (IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers", and SIC-31 "Revenue - Barter Transactions Involving Advertising Service").

IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. It provides a single model in order to depict the transfer of promised goods or services to the customers. In accordance with IFRS 15 basic principle, an entity recognizes revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is still conducting a detailed assessment of the impact this standard will have on its financial statements.

c. **IFRS 16 "Leases"**

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted only if the Corporation applies IFRS 15 "Revenue from contracts with customers". The Corporation is currently evaluating the impact this standard will have on its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

NOTE 4
ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires Management to make judgements in the application of accounting methods used and 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 consolidated financial statements and the reported amounts of revenues and expenses during the periods. Because financial reporting involves accounting judgements and entails the use of estimates, actual results could differ from those estimates. As previously indicated, the valuation of work in progress and deferred revenues require Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The identification and assessment of claims and contract changes, the assessment of long-term assets and related impairment, as well as the valuation of options, taxes, provisions and contingencies, also require estimates.

The following sections provide details on the significant accounting judgements and estimates used by the Corporation to prepare the financial statements.

4.1 **Percentage of Completion of Work and Revenues from Contracts**

As at January 31, 2017, the carrying amount of work in progress in the amount of $21,077,000 ($7,521,000 as at January 31, 2016) and revenues recognized on contracts, reflect Management's best assessment by taking in consideration all information available at the reporting date of the result on each contract and its estimated costs. The Corporation's Management assesses the profitability of its ongoing contracts and its order backlog at least once a month by using complete project management procedures. Where complex contracts are concerned, the contracts' costs to complete and profitability are exposed to important uncertainties in estimation. As part of this process, Management makes important judgements regarding milestones reached, actual work performed and estimated costs to complete. Actual results could differ because of these unforeseen changes.

4.2 **Assessment and Amortization of Long-Lived Assets**

Management reviews the useful lives of its amortizable assets at each reporting date. On January 31, 2017, Management estimated that the useful lives represented the expected useful life of the Corporation's assets. The carrying amounts are analyzed at the end of each year. Actual results could however differ because of technical obsolesce, particularly with regard to hardware and software.

4.3 **Income Taxes**

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published.

Judgements must periodically be made to determine if deferred income tax assets must be recognized in the Consolidated Statement of Financial Position. Deferred income tax assets, including unused tax losses, require Management to assess whether the Corporation will generate taxable income in subsequent periods, in order to use deferred income tax assets. Once the assessment is done, if the Corporation believes that it is likely that a portion of its deferred income tax assets will not be realized, the deferred income tax asset is derecognized. The estimate of future taxable income is based on cash flow from operations forecasts and applicable tax laws in effect in each jurisdiction. Should future cash flows and taxable profit differ materially from these estimates, it could have an impact on the Corporation's ability to realize the net deferred income tax assets at the reporting date of the financial position.

NOTE 5
ACCOUNTS RECEIVABLE

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Contracts receivable (Note 28.2)	**22,326**	23,146

NOTE 6
INVENTORIES

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Inventories	**7,700**	6,714
Inventories allowance	**(743)**	(534)
	6,957	6,180

During the fiscal year ended January 31, 2017, the amount of inventories recognized as cost of goods sold totalled $21,852,000 and $29,853,000 during the fiscal year ended January 31, 2016.

NOTE 7

PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Prepaid expenses	**1,112**	1,680
Others	**25**	209
	1,137	1,889

NOTE 8

PROPERTY, PLANT AND EQUIPMENT

	Lands	**Buildings and Improvement to Lands**	**Equipment and Overhead Cranes**	**Office Furniture, Rolling Stock, and Computer Hardware** [1]	**Total**
(In thousands of CA$)	$	$	$	$	$
As at February 1, 2015					
Cost	6,296	71,473	35,543	7,441	120,753
Accumulated amortization	—	(15,953)	(16,039)	(5,761)	(37,753)
Net book value	6,296	55,520	19,504	1,680	83,000
Acquisitions	1,519	5,224	1,519	329	8,591
Disposals	(502)	(322)	—	(15)	(839)
Exchange difference	273	3,133	1,113	90	4,609
Amortization expenses	—	(1,697)	(2,312)	(285)	(4,294)
Balance at January 31, 2016	7,586	61,858	19,824	1,799	91,067
As at January 31, 2016					
Cost	7,586	79,636	38,377	7,585	133,184
Accumulated amortization	—	(17,778)	(18,553)	(5,786)	(42,117)
Net book value	7,586	61,858	19,824	1,799	91,067
Acquisitions	**—**	**3,368**	**2,923**	**550**	**6,841**
Exchange difference	**(236)**	**(2,387)**	**(822)**	**(77)**	**(3,522)**
Amortization expenses	**—**	**(1,764)**	**(2,228)**	**(334)**	**(4,326)**
Balance at January 31, 2017	**7,350**	**61,075**	**19,697**	**1,938**	**90,060**
As at January 31, 2017					
Cost	**7,350**	**80,508**	**40,215**	**7,951**	**136,024**
Accumulated amortization	**—**	**(19,433)**	**(20,518)**	**(6,013)**	**(45,964)**
Net book value	**7,350**	**61,075**	**19,697**	**1,938**	**90,060**

The property plant and equipment under financial lease agreements are detailed as follow:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Land	**1,622**	1,746
Building and improvement to land	**21,283**	23,455
Office furniture, rolling stock, and computer hardware	**77**	57
	22,982	25,258

For the fiscal year ended January 31, 2017, the amortization of property, plant and equipment totalled $4,326,000 ($4,294,000 for the fiscal year ended January 31, 2016) of which $3,488,000 is included in the cost of goods sold, and $838,000 is included in the selling and administrative expenses (respectively $3,532,000 and $762,000 for the fiscal year ended January 31, 2016).

The book value of the property, plant and equipment under construction and not amortized stood at $357,000 as at January 31, 2017 ($4,389,000 as at January 31, 2016). These amounts were mainly related to additions made to ADF's Terrebonne and Montana plant, and were distributed as follows:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Buildings and improvement to lands	**357**	4,040
Equipment and overhead cranes	**—**	349
	357	4,389

NOTE 9
INTANGIBLE ASSETS

	In-house Software	**Software**	**Software Licences**	**Total**
(In thousands of CA$)	$	$	$	$
As at February 1, 2015				
Cost	6,247	2,685	194	9,126
Accumulated amortization	(3,657)	(2,580)	(108)	(6,345)
Net book value	2,590	105	86	2,781
Acquisitions	383	—	28	411
Amortization expenses	(282)	(19)	(20)	(321)
Balance at January 31, 2016	2,691	86	94	2,871
As at January 31, 2016				
Cost	6,630	2,685	222	9,537
Accumulated amortization	(3,939)	(2,599)	(128)	(6,666)
Net book value	2,691	86	94	2,871
Acquisitions	**391**	**15**	**4**	**410**
Amortization expenses	**(326)**	**(16)**	**(19)**	**(361)**
Balance at January 31, 2017	**2,756**	**85**	**79**	**2,920**
As at January 31, 2017				
Cost	**7,020**	**2,260**	**209**	**9,489**
Accumulated amortization	**(4,264)**	**(2,175)**	**(130)**	**(6,569)**
Net book value	**2,756**	**85**	**79**	**2,920**

As at January 31, 2017 and 2016, all intangible assets were subject to amortization.

For the fiscal year ended January 31, 2017, amortization of intangible assets totalled $361,000 ($321,000 for the fiscal year ended January 31, 2016) of which $143,000 is included in the cost of goods sold and $218,000 is included in the selling and administrative expenses (respectively $143,000 and $178,000 for the fiscal year ended January 31, 2016).

NOTE 10
OTHER NON-CURRENT ASSETS

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Investment tax credits	**3,112**	3,112
Equity investments	**215**	157
Other	**79**	68
	3,406	3,337

NOTE 11
CREDIT FACILITIES

a. **Canadian Operating Credit Facility**

On November 2016, the Corporation renewed its Canadian operating credit facility, and increased at the same time the available amount. According to this revised credit facility agreement, which is renewable annually, the Corporation has access to an operating credit facility of up to $20,000,000 compared to $10,000,000 previously. This credit facility is not based on margination of the lending value when the order backlog reaches more than $70,000,000. However, if the order backlog is below $70,000,000, a monthly calculation based on contracts receivable and inventories is applied, which may limit the amount of the credit facility. This limit was $50,000,000 before the renewal in November 2016 and will increase to $100,000,000 starting February 1, 2018. The credit facility used as at January 31, 2017 was $12,650,000 (no amount used as at January 31, 2016). In addition, this credit agreement also provides the Corporation access to an amount of $10,000,000 that can be used for the issuance of letters of credit.

This credit facility, at the option of the Corporation, bears interest at the bank's prime Canadian rate without mark-up or at the banker's acceptance rates plus 1.50% or at the US$ LIBOR rate plus 1.50%. This credit facility is secured by inventories and contracts receivable, excluding holdbacks receivable (see Note 24.2).

This credit agreement is renewable annually. 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, 2017.

b. **U.S. Revolving Credit**

In November 2016, the Corporation renewed the revolving credit agreement with a U.S. bank. This renewal raises the limit available to US$800,000 compared to US$500,000 prior to November 2016. This credit is renewable annually and may also be used for the issuance of letters of credit. The credit facility used as at January 31, 2017 was US$527,000, representing CA$686,000 (no amount used as at January 31, 2016).

This revolving credit facility bears US$ LIBOR one-month interest rate, plus 2.0%, and is secured by a first rank movable hypothec on certain assets of a subsidiary of the Corporation (Note 24.1), as well as a letter of credit of US$3,400,000 (Note 24.1).

NOTE 12

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Accounts payable	**9,046**	10,576
Salaries and fringe benefits payable	**4,026**	2,685
Other current liabilities	**1,801**	2,482
Share-based compensation	**1,295**	376
Indirect taxes	**118**	303
Advances on contracts (Note 16)	**299**	1,350
	16,585	17,772

NOTE 13

LONG-TERM DEBT

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Bank loan, secured by an hypothec that can reach $24,000,000 on the universality of all assets, movable and immovable, tangible and intangible, present and future of the parent-company, ADF Group Inc. (Note 24.2). (1)	**9,901**	4,895
Bank loan secured by a first rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation (Note 24.2) and by a US$3,400,000 letter of credit (Note 24.2). This loan denominated in U.S. dollars amounted to US$2,427,100 as at January 31, 2017 (US$2,733,300 as at January 31, 2016). (2)	**3,158**	3,822
Secured term loan by a second rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation (Note 24.2). This loan denominated in U.S. dollars amounted to US$680,600 as at January 31, 2017 (US$768,400 as at January 31, 2016). (3)	**886**	1,076
Obligations under a financial lease agreement (Note 24.2). This loan denominated in U.S. dollars amounted to US$3,627,700 as at January 31, 2017 (US$3,843,900 as at January 31, 2016). (4)	**4,719**	5,382
Others obligations under a financial lease agreements	**50**	44
	18,714	15,219
Current portion	**844**	868
	17,870	14,351

(1) During the fiscal year ended January 31, 2016, the Corporation obtained from the Develop Bank of Canada, a long term loan that could reach $20,000,000. The disbursement of this loan is as follows:

— A first tranche of $5,000,000 was drawn on August 28, 2015;
— A second tranche of $5,000,000 was drawn on February 22, 2016; and
— The balance of $10,000,000 will be disbursed in increments of $2,500,000 or more, at the request of the Corporation, under certain conditions.

This loan bears the annual floating interest rate of the Development Bank of Canada, and is payable monthly. The first principal repayment, in the amount of $53,000, will be made on March 1st, 2018, followed by equal monthly installments of $49,000, beginning April 1st, 2018 and ending February 1st, 2035, being the loan's maturity date.

The $107,000 financing costs are recorded against the debt and amortized over the debt's expected life using the effective interest rate method. As at January 31, 2017, the balance of the financing cost was $99,000 ($105,000 as at January 31, 2016).

(2) Debt contracted by a subsidiary of the Corporation to the initial amount of US$3,419,000 with a U.S. bank. This debt bears a below-market rate of interest of 2.721%, and was measured at fair value based on the prevailing market interest rate. Therefore, monthly interest is calculated using the annual implicit rate of 3.42%. This debt is repayable in monthly installments estimated at US$25,000 which began in February 2014 and will end in January 2024.

(3) A subsidiary of the Corporation contracted a US$990,000 debt with the U.S. government agency. This debt bears a below-market interest rate of 2.785%, and was measured at fair value based on the prevailing market interest rate. Consequently, monthly interest is calculated using the annual implicit rate of 3.5%. This debt is repayable in monthly installments estimated at US$7,000 which began in November 2013 and will end in October 2023.

(4) On April 18, 2014, a subsidiary of the Corporation contracted a debt from a U.S. government agency, which is structured according to a sale and leaseback contract, resulting in a financial lease agreement in the amount of US$4,999,800. This debt bears a below-market interest rate of 1.98%, and was measured at fair value based on the prevailing market interest rate. Therefore, monthly interest is calculated using the annual implicit rate of 4.48%. The US$794,000 difference between the fair value of US$4,206,000 and the cash received, in the amount of US$4,999,800, was recorded as a grant against the related property, plant and equipment.

This debt is repayable in equal monthly installments of US$32,000 beginning in May 2014 and ending in May 2029, with a bargain purchase option for of $10. This debt is also subject to certain covenants, including covenants related to job creation.

This debt will be eligible for a maximum tax credit of up to US$5,783,000, corresponding to payments of principal and interest, the use of which is dependent on future taxable profits in Montana, U.S.A. Based on the level of historical taxable income and uncertainty on projected taxable income in that state, Management believes, at the date hereof, there is no reasonable assurance that the asset will be realized, and consequently no asset related to these investment tax credits was recorded as at January 31, 2017 and 2016.

During the fiscal year ended January 31, 2017, the Corporation respected all covenants of its long-term loans and bonding agreements (see Note 25.1).

The long-term debt matures as follows:

	Obligation Under a Financial Lease			**Other Debts**	**Total**
	Minimum Payments	Interest	Principal	Principal	Required Principal Payments
(In thousands of CA$)	$	$	$	$	$
2018	528	209	319	525	844
2019	508	195	313	1,077	1,390
2020	508	180	328	1,141	1,469
2021	507	165	342	1,160	1,502
2022	503	148	355	1,181	1,536
2023 thereafter	3,657	545	3,112	8,861	11,973
	6,211	1,442	4,769	13,945	18,714

During the fiscal years ended January 31, 2017 and 2016, financial expenses were as follows:

Fiscal Year Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Interest on long-term debt	**798**	497
Interest on credit facilities	**141**	—
Financial expenses	**104**	49
Others	**14**	28
	1,057	574

NOTE 14
CAPITAL STOCK

14.1 **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.

(In thousands of CA$ and in number of shares)	Subordinate Voting Shares		Multiple Voting Shares		Total	
	Number	$	Number	$	Number	$
As at February 1, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185
Issued on exercise of stock options	887,400	1,174	—	—	887,400	1,174
Shares redemption	(800,000)	(2,282)	—	—	(800,000)	(2,282)
As at January 31, 2016	18,278,435	52,076	14,343,107	16,001	32,621,542	68,077
Issued on exercise of stock options	**6,000**	**11**	**—**	**—**	**6,000**	**11**
As at January 31, 2017	**18,284,435**	**52,087**	**14,343,107**	**16,001**	**32,627,542**	**68,088**

14.2 Subordinate Voting Shares Redemption

On May 30, 2014, the Corporation announced that it had received the approval from its Board of Directors and the Toronto Stock Exchange to renew its normal course issuer bid ("NCIB"), under which it could repurchase, for cancellation purposes, up to 1,375,824 of its subordinate voting shares between June 4, 2014 and June 3, 2015. These 1,375,824 shares represented approximately 10% of the public float of adjusted subordinate voting shares. These shares could have been repurchased from time to time when deemed appropriate by the Corporation, while considering the economic conditions and its liquidities. Except for the shares repurchased, as mentioned in the following paragraph, no other shares were repurchased during the fiscal year ended January 31, 2016, under this NCIB.

During the fiscal year ended January 31, 2016, the Corporation repurchased the 750,000 subordinate voting shares held by three of its executive officers, pursuant to the exercise of the stock options awarded to them in April 2005, for a total amount of $2,139,000 ($2.85 per share) including a disbursement of $1,800,000 ($2.40 per share) and $339,000 from contributed surplus. In the context of the share repurchase, the Corporation amended its NCIB in order to specifically authorize off-Exchange purchases under the exemptions provided under applicable securities legislation or issued by securities regulatory authorities. In accordance with the Toronto Stock Exchange's rules, the share repurchase was factored in the computation of the annual aggregate limit of shares eligible for buyback by the Corporation under the NCIB. Therefore, following this transaction, a balance of 625,824 shares could have been eligible for repurchase until June 3, 2015, under the NCIB.

Also during the fiscal year ended January 31, 2016, the Corporation repurchased off-Exchange, under the exemptions provided under applicable securities legislation, a total of 50,000 subordinate voting shares held by a former executive officer for a total amount of $143,000 ($2.85 per share), made up of a $118,000 ($2.35 per share) disbursement and $25,000 from contributed surplus.

14.3 Dividends

During the fiscal year ended January 31, 2017, the Corporation recognized, as distribution to its shareholders of record as at April 29, 2016 and September 30, 2016, semi-annual dividends each totaling $326,000, or $0.01 per share, and representing a total of $652,000, of which $366,000 was for subordinate voting shares and $286,000 for multiple voting shares. These sums were paid on May 16, 2016 and October 17, 2016, respectively.

During the fiscal year ended January 31, 2016, the Corporation recognized, as distribution to its shareholders of record as at April 30, 2015 and September 30, 2015, semi-annual dividends of $0.01 per share, each totaling $326,000, and representing $652,000, of which $365,000 was for subordinate voting shares and $287,000 for multiple voting shares. These sums were paid on May 15, 2015 and October 15, 2015, respectively.

14.4 Stock Option Plan

At January 31, 2017 and 2016, a total of 3,542,629 subordinate voting shares were reserved for the Stock Option Plan, of which 1,473,029 as at January 31, 2017 (1,401,029 as at January 31, 2016), 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. All options have a 10-year life from the grant date.

As at January 31,	**2017**		2016	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
(In number of options and in dollars per option)	**Number**	**$**	Number	$
Outstanding, at the beginning	**461,664**	**2.68**	1,426,064	1.51
Exercised	**(6,000)**	**1.05**	(887,400)	0.82
Canceled	**(72,000)**	**1.28**	(77,000)	2.34
Outstanding, at the end	**383,664**	**2.97**	461,664	2.68
Exercisable, at the end	**322,664**	**3.04**	349,664	2.81

At January 31, 2017, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

(In dollars per option and in number of options)	Options Outstanding			Options Exercisable	
Exercise Price	**Outstanding**	**Weighted Average Remaining Life**	**Exercise Price**	**Outstanding**	**Weighted Average Remaining Life**
$	Number	Year	$	Number	Year
6.48	5,000	0.95	6.48	5,000	6.48
5.65	60,000	1.20	5.65	60,000	5.65
2.66	100,000	7.45	2.66	40,000	2.66
2.52	60,000	2.86	2.52	60,000	2.52
2.45	96,000	2.45	2.45	96,000	2.45
2.14	7,664	0.05	2.14	7,664	2.14
1.88	50,000	3.62	1.88	50,000	1.88
1.21	5,000	5.37	1.21	4,000	1.21
	383,664	**3.75**	**2.97**	**322,664**	**3.04**

A total expense of $30,000 for share-based compensation was recorded in the Consolidated Statement of Income for the fiscal year ended January 31, 2017, and a corresponding amount was recognized in contributed surplus ($44,000 for the fiscal year ended January 31, 2016).

No options were granted during the fiscal years ended January 31, 2017 and 2016.

14.5 **Deferred Share Units Plan ("DSU")**

a. **External Directors**

During the fiscal years ended January 31, 2017 and 2016, DSU compensation amounted to $588,000 and $48,000 respectively, each representing 190,686 units and 19,319 units, are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position.

The balances of the DSU issued to external directors as at January 31, 2017 and 2016 were as follows:

Fiscal Years Ended January 31,	**2017**		2016	
(In number of deferred share units and in thousands of CA$)	**Unit**	**$**	Unit	$
Outstanding at the beginning of year	**121,346**	**376**	175,645	386
Attributed [(1)]	**190,686**	**588**	19,319	48
Exercised	**—**	**—**	(73,618)	(171)
	312,032	**964**	121,346	263
Re-evaluation	**—**	**(59)**	—	113
Outstanding at the end of year	**312,032**	**905**	121,346	376

(1) Includes 175,000 units issued on a discretionary basis for a total of $543,000 for the fiscal year ended January 31, 2017 (none for the fiscal year ended January 31, 2016).

The DSU are re-evaluated at fair market value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares. During the fiscal year ended January 31, 2017, a downward re-evaluation in the amount of $59,000 was recorded as a compensation expense in the Consolidated Statement of Income, with the consideration recorded as a decrease in accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

For the fiscal year ended January 31, 2016, this re-evaluation resulted in an increase of $113,000 in compensation expense in the Consolidated Statement of Income and accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

b. **Executive Officers and Key Employees**

As set forth in the DSU Plan (see Note 2.2 p), on February 1, 2016, the Corporation granted, on a discretionary basis, Executive Officers and key employees a total of 236,162 units of DSUs, the vesting of which will extend over a 5-year period, at a rate of 20% per year. The vested DSUs will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are recognized as they are vested and their costs is determined using a valuation model, and re-evaluated at each reporting period.

The share-based compensation expenses for the DSU, totalling $377,000 were recorded in the Consolidated Statement of Income for the fiscal year ended January 31, 2017, and the corresponding amounts were recognized in accounts payable and other current liabilities in the Consolidated Statements of Financial Position.

The balances of the DSU for the Executive Officers and key employees as at January 31, 2017 were as follows:

Fiscal Years Ended January 31,	**2017**	
(In number of deferred share units and in thousands of CA$)	**Unit**	**$**
Outstanding at the beginning of year	**—**	**—**
Attributed (1)	**125,278**	**377**
Re-evaluation	**—**	**16**
Outstanding at the end of year	**125,278**	**393**

(1) Issued on a discretionary basis.

NOTE 15

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations		
Opening balance	**9,668**	5,996
Changes during the period	**(2,816)**	3,672
Closing balance	**6,852**	9,668
Hedging of foreign operations, net of related income taxes (1)		
Opening balance	**(300)**	(300)
Changes during the period	**—**	—
Closing balance	**(300)**	(300)
Change in value of available-for-sale financial assets		
Opening balance	**139**	139
Changes during the period	**50**	—
Closing balance	**189**	139

Allocated as follows:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations, net of related edging activities, net of related income taxes (2)	**6,552**	9,368
Change in value of available-for-sale financial assets (3)	**189**	139
	6,741	9,507

(1) To protect itself against the foreign exchange risk related to net investments in its foreign subsidiaries, the Corporation used hedge accounting until July 2014 by fully designating one of its US-denominated long-term debts as a hedge. However, because this long-term debt was fully reimbursed in July 2014, hedge accounting ceased to apply on that date.

(2) The component "Translation of foreign operations" represents exchange differences relating to the translation from the functional currencies of the Corporation's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to the Consolidated Statement of Income as part of the gain or loss on disposal.

(3) The component "Available-for-sale financial assets" arises upon the revaluation of available-for-sale financial assets. When a revaluated financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in the Consolidated Statement of Income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in Consolidated Statement of Income.

NOTE 16
INFORMATION RELATED TO CONTRACTS

Revenues from construction contracts totalling $102,846,000 for the fiscal year ended January 31, 2017 ($98,089,000 for the fiscal year ended January 31, 2016) have been included in revenues of the reporting period. The amounts recorded in the Consolidated Statement of Financial Position relate to current contracts at the end of the reporting period.

The amounts are calculated as net incurred costs, plus profits, less recognized losses and billings for the period. The carrying amount of assets and liabilities is as follows:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**206,620**	193,905
Less progress billings	**(186,807)**	(189,137)
	19,813	4,768

Recognized as follows:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Amount owed by clients for work performed on contracts, recorded in work in progress	**21,077**	7,521
Amount owed to clients for work performed on contracts, recorded in deferred revenues	**(1,264)**	(2,753)
	19,813	4,768

Advances received from clients on contracts for work not yet realized have been recognized in accounts payable and other current liabilities (see Note 12). These advances totalled $299,000 as at January 31, 2017 ($1,350,000 as at January 31, 2016).

Holdbacks on contracts, amounting to $3,613,000 as at January 31, 2017, will be received at the time of the client's approval of the work performed ($1,693,000 as at January 31, 2016) and are included in current assets in the Consolidated Statement of Financial Position.

NOTE 17
CLASSIFICATION OF EXPENSES BY NATURE

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Salaries and employees' benefit expenses (Note 18) (1)	**46,949**	36,101
Raw material, consumables and subcontracting	**27,262**	35,338
Drafting and engineering	**5,118**	4,205
Amortization expenses	**4,687**	4,615
Professional fees	**2,756**	2,242
Travelling expenses and representation	**2,424**	1,932
Transport	**1,982**	3,893
Electricity and heating	**1,540**	1,346
Other	**1,345**	645
Management fees with related companies (Note 19)	**1,331**	1,301
Taxes and permits	**1,083**	1,249
Insurance	**1,048**	1,065
Maintenance and repairs	**955**	1,030
Office expenses	**591**	498
	99,071	95,460

Distributed as follows:

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Cost of goods sold	**85,635**	84,069
Selling and administrative expenses	**13,436**	11,391
	99,071	95,460

(1) For the fiscal year ended January 31, 2017, salaries and employees benefit expenses were decreased by a government grant of $108,000 for the training of skilled labor.

For the fiscal year ended January 31, 2016, salaries and employees benefit expenses were decreased by a government grant of $126,000 for the training of skilled labor and of $650,000 for job creation.

Cost of goods sold is as follows:

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Cost of goods sold excluding amortization	**82,004**	80,394
Amortization of property, plant and equipment and intangible assets	**3,631**	3,675
	85,635	84,069

NOTE 18

SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits	**36,013**	27,989
Social security costs	**8,083**	6,754
Pension plan contributions	**1,620**	1,314
Share-based compensation (1)	**951**	44
Others	**282**	—
	46,949	36,101

(1) The increase in the share-based compensation expense is mainly attributable to the discretionary DSUs granted to External Directors, Executive Officers and key employees for a total amount of $920,000 for the fiscal year ended January 31, 2017 (see note 14.5) (no amount for the fiscal year ended January 31, 2016).

NOTE 19

EXECUTIVE OFFICERS' COMPENSATION

The Corporation's principal executive officers are members of the Board of Directors and of the Management Committee of ADF Group Inc. (the parent company) and their related persons. Their compensation includes the following expenses:

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits	**2,184**	1,611
Social security costs	**209**	244
Management fees (1)	**1,331**	1,301
Pension plan contributions	**136**	132
Share-based compensation (2)	**883**	7
Attendance fees	**273**	399
	5,016	3,694

(1) In the normal course of business, management agreements have been reached with companies held by a group of majority shareholders and are measured at exchange amount.

(2) The increase in the share-based compensation expense is mainly attributable to the discretionary DSUs granted to External Directors, Executive Officers and key employees for a total amount of $876,000 for the fiscal year ended January 31, 2017 (see note 14.5) (no amount for the fiscal year ended January 31, 2016).

NOTE 20

OTHER LOSSES (GAINS)

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Foreign exchange loss (gain)	**254**	(35)
Gain on disposal of property, plant and equipment	**—**	(618)
	254	(653)

NOTE 21
INCOME TAX EXPENSE

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Current		
Tax expense in the current year	**188**	64
	188	64
Deferred		
Recognition and reversal of temporary differences	**824**	1,036
Temporary differences for which no deferred income tax asset has been recorded	**2**	(12)
	826	1,024
Income tax expense	**1,014**	1,088

The following table reconciles the Corporation's income tax expense and the amount which would be obtained by multiplying income before income tax expense and the combined Canadian federal and provincial tax rates:

Fiscal Years Ended January 31,	**2017**		2016	
(In thousands of CA$ and in percentages)	**$**	**%**	$	%
Allowance using basic income tax rates	**676**	**26.9**	750	26.9
Increase (decrease) resulting from:				
Difference in rates for foreign subsidiaries	**252**	**10.0**	286	10.2
Non-deductible expenditures and non-deductible portion of capital losses	**84**	**3.4**	64	2.3
Temporary differences for which no deferred income tax asset has been recorded	**2**	**0.1**	(12)	(0.4)
Income tax expense	**1,014**	**40.4**	1,088	39.0

The Corporation's applicable tax rate in Canada combines both the Federal and the Provincial applicable tax rates.

The table below provides an analysis of deferred income tax assets and liabilities:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Non-current deferred income tax assets (over 12 months)	**5,316**	6,390
Non-current deferred income tax liabilities (over 12 months)	**(2,951)**	(2,742)
Deferred income tax assets (net)	**2,365**	3,648

The movement in the net deferred income tax assets is provided in the table below:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Beginning of year	**3,648**	4,106
Amount recognized in the consolidated statement of income	**(826)**	(1,024)
Income tax expense related to components of other comprehensive income (loss)	**(8)**	—
Exchange differences	**(449)**	566
End of year	**2,365**	3,648

The table below provides the movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:

21.1 **Deferred Income Tax Assets**

(In thousands of CA$)	Tax Loss Carryovers	SR&ED Expenses	Financial Expenses and Other Deferred Charges	Foreign Exchange Forward Contracts	Others	Total
	$	$	$	$	$	$
As at February 1, 2015	5,725	2,301	1,770	300	120	10,216
Recognized in the Consolidated Statement of Income	(1,566)	(813)	115	(191)	(6)	(2,461)
Exchange differences	394	—	172	—	—	566
As at January 31, 2016	4,553	1,488	2,057	109	114	8,321
Recognized in the Consolidated Statement of Income	**(588)**	**5**	**283**	**(109)**	**(15)**	**(424)**
Exchange differences	**(309)**	**—**	**(140)**	**—**	**—**	**(449)**
As at January 31, 2017	**3,656**	**1,493**	**2,200**	**—**	**99**	**7,448**

21.2 **Deferred Income Tax Liabilities**

(In thousands of CA$)	Property, Plant and Equipment and Intangible Assets	Holdbacks on contracts receivable	Investment Tax Credits	Work in progress	Foreign Exchange Forward Contracts	Total
	$	$	$	$	$	$
As at February 1, 2015	2,250	1,189	837	1,834	—	6,110
Recognized in the Consolidated Statement of Income	40	(731)	—	(746)	—	(1,437)
As at January 31, 2016	2,290	458	837	1,088	—	4,673
Recognized in the Consolidated Statement of Income	**(49)**	**(282)**	**(12)**	**561**	**184**	**402**
Recognized in Other Comprehensive Income (Loss)	**8**	**—**	**—**	**—**	**—**	**8**
As at January 31, 2017	**2,249**	**176**	**825**	**1,649**	**184**	**5,083**

Net deferred income tax assets of $5,316,000 were recognized in the Consolidated Statement of Financial Position as at January 31, 2017 ($6,390,000 as at January 31, 2016), for which application depends on future taxable profits in the United States. Based on the level of historical taxable income and projected taxable income, Management believes it is likely that these assets will be realized.

NOTE 22
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,	**2017**	2016
Numerator (in thousands of CA$)		
Numerator applicable to basic and diluted earnings per share	**1,499**	1,699
Denominator (in thousands)		
Basic weighted average number of shares	**32,624**	32,597
Effect of dilutive instruments:		
— Stock options	**62**	210
Diluted weighted average number of shares	**32,686**	32,807

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

During the fiscal year ended January 31, 2017, only 218,664 stock options were included in the computation of the diluted earnings per share since the other options were antidilutive (243,664 stock options during the fiscal year ended January 31, 2016).

NOTE 23
SUPPLEMENTAL CASH FLOWS INFORMATION

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

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Accounts receivable	**13**	(8,008)
Holdbacks on contracts	**(1,895)**	2,636
Work in progress	**(13,688)**	(399)
Inventories	**(1,057)**	(309)
Prepaid expenses and other current assets	**688**	(139)
Accounts payable and other current liabilities	**(1,310)**	651
Deferred revenues	**(1,437)**	(1,491)
Changes in non-cash working capital items	**(18,686)**	(7,059)

NOTE 24
COMMITMENTS AND GUARANTEES

24.1 **Commitments**

a. **Letters of Credit**

During the fiscal year ended January 31, 2017, the Corporation held letters of credit, the balance of which stood at $4,450,000 at that date and $5,389,000 on January 31, 2016.

b. **Operating Leases**

As at January 31, 2017, the Corporation was committed under operating leases for car rentals, office equipment and information technology equipment. These commitments amounted to $1,132,000, for which minimum annual payments due during the next five fiscal years are as follows: $421,000 in 2018, $367,000 in 2019, $223,000 in 2020 and $82,000 in 2021 and $39,000 in 2022.

Lease payments totalled $439,000 for the fiscal year ended January 31, 2017 ($339,000 for the fiscal year ended January 31, 2016).

c. **Other Commitments**

As at January 31, 2017, the Corporation had no commitment for the purchase of property, plant and equipment. As at January 31, 2016 these commitments totalled $2,300,000.

24.2 **Guarantees**

Certain property, plant and equipment having a carrying value of $15,256,000 as at January 31, 2017 and $10,985,000 as at January 31, 2016, are pledged as collateral for the long-term debt (see Note 13).

The net book value of assets held by the Corporation under the lease financing contracts (see Note 13) amounted to $22,982,000 as at January 31, 2017 ($25,258,000 as at January 31, 2016).

The contracts receivable with a carrying value of $22,326,000 as at January 31, 2017 ($23,146,000 as at January 31, 2016), and inventories with a carrying value of $6,957,000 ($6,180,000 as at January 31, 2016) are pledged as collateral for the credit facility (see Note 11).

NOTE 25
CONTINGENCIES

25.1 **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, and equipment, work in progress and account receivables. The bonding issued on the ongoing projects as at January 31, 2017 stood at $177,728,000.

25.2 **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, 2017 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.

25.3 **Indemnity Agreement**

The Corporation entered into an indemnity agreement when it sold a subsidiary in 2004. This former subsidiary was involved in legal proceedings. During fiscal 2014, this lawsuit's main dispute was settled out of court. At the date hereof, certain smaller disputes of secondary importance relating to the same lawsuit are still pending and, in this context, the Corporation does not expect incurring significant disbursements.

NOTE 26
PENSION PLAN

The Corporation offers to all eligible employees a defined contribution pension plans in Canada and the United-State (401k), 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 these pension plans amounted to $760,000 in the fiscal year ended January 31, 2017 ($665,000 in 2016).

NOTE 27
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 last fiscal years. 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 uphold or readjust its capital structure, the Corporation can:

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

In addition, the Corporation periodically monitor its capital, namely with regard to a number of financial indicators, of which the "Total cash and cash equivalents, net of credit facilities and long-term debt, to shareholders' equity" ratio. This ratio measures the level of cash and cash equivalents, net of credit facilities and long-term financing, in relation to the capital invested by shareholders. 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,	**2017**	2016
Total cash and cash equivalents, net of the credit facilities and current portion and long-term debt (In thousands of CA$)	**(31,716)**	(12,842)
Shareholders' equity (In thousands of CA$)	**105,650**	107,533
Total cash and cash equivalents, net of credit facilities and long-term debt, to shareholders' equity ratio	**(0.30):1**	(0.12) :1

The Corporation's goal is to maintain a positive ratio. However, as it was the case for the fiscal years ended January 31, 2017 and 2016 this ratio could be negative based on the cash position on ongoing projects. Moreover, this goal could be revised in light of developing projects that will be considered strategic and conducive.

NOTE 28
FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to (paragraph 28.1) market risks, (paragraph 28.2) credit and credit concentration risks, and (paragraph 28.3) liquidity risks.

28.1 **Market Risk**

The 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:

a. Foreign exchange risk
b. Interest rate 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:

a. **Foreign Exchange Risk**

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollar, since a significant portion of its revenues is generally recorded in U.S. dollars. For the year ended January 31, 2017, 72% of the Corporation's revenues were recorded in U.S. dollars (58% during the fiscal year ended January 31, 2016). Notwithstanding these variations and 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;
— Issuance of long-term debt in U.S. dollars;
— Using hedge accounting, the case may be; and
— Using foreign exchange forward contracts and/or foreign currency options to hedge part of the residual exchange risk.

During the year ended January 31, 2017, in line with its hedging policy, given the increase in the net risk between the future cash inflows and outflows denominated in U.S. dollar, the Corporation used derivative financial instruments, as detailed below. 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, 2017			
	In thousands of $US (1)	In thousands $CA (1)	Average rate	Expiration date
Foreign Exchange Forward Contracts	**800**	**1,096**	**1.3700**	**February 1, 2017**
	(800)	**(1,039)**	**1.2990**	**February 1, 2017**
	3,500	**4,566**	**1.3045**	**April 28, 2017**
	1,000	**1,316**	**1.3163**	**April 28, 2017**
	750	**955**	**1.2732**	**April 28, 2017**
	1,000	**1,384**	**1.3837**	**April 28, 2017**
	1,000	**1,320**	**1.3200**	**July 31, 2017**
	5,400	**7,039**	**1.3035**	**July 31, 2017**
	3,950	**5,155**	**1.3050**	**July 31, 2017**
	2,000	**2,668**	**1.3338**	**October 31, 2017**
	4,300	**5,736**	**1.3340**	**October 31, 2017**
	6,000	**7,804**	**1.3007**	**October 31, 2017**
	800	**1,038**	**1.2976**	**October 31, 2017**
	1,700	**2,296**	**1.3503**	**January 31, 2018**
Foreign Currency Options	**10,000**	**12,960**	**1.2960**	**February 24, 2017**
	750	**960**	**1.2800**	**April 28, 2017**
	(750)	**(986)**	**1.3150**	**April 28, 2017**
	750	**945**	**1.2600**	**July 31, 2017**
	(750)	**(965)**	**1.2860**	**July 31, 2017**
	2,000	**2,600**	**1.3000**	**October 31, 2017**
	(2,000)	**(2,752)**	**1.3760**	**October 31, 2017**

(1) A positive amount represents the sale of U.S. dollars, whereas a negative amount represents the purchase of U.S. dollars.

The Corporation's position is summarized below:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Current assets relating to derivative financial instruments:		
Foreign exchange forward contracts	**578**	—
Foreign currency options	**118**	—
	696	—
Current liabilities relating to derivative financial instruments		
Foreign exchange forward contracts	**—**	403
	—	403

Based on the balance, as at January 31, 2017, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars, while all other variables remaining constant, would have resulted in a $401,000 variation in net income before tax and in comprehensive income (loss) before tax ($86,000 and $464,000 respectively as at January 31, 2016).

However, this information only applies to financial instruments based on year-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete year.

b. **Interest Rate Risk**

The Corporation is exposed to interest rate fluctuations mainly because of the floating interest rate of its credit facilities and a portion of its long-term debt, where applicable (see Notes 11 and 13). In addition, the interest rate fluctuations could also affect the Corporation's financial revenues 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 in order to reduce the net impact of interest rate fluctuations. According to this policy, if this combination is unsuitable, the Corporation can use interest-rate swaps so as to achieve a less volatile interest expense.

According to the Corporation's management, as at January 31, 2017 and 2016, the use of interest rate swap was no longer required to hedge the interest rate risk, given that the balance of the long-term debt, including the short-term credit facilities, included a reasonable combination of fixed and floating interest rates.

28.2 **Credit and Credit Concentration Risks**

a. **Credit Risk**

Risk, that a party to a financial instrument neglecting its obligations will cause a financial loss for the other party.

b. **Credit Concentration Risk**

Risk that the business deals with a limited number of clients and financial institutions, which might increase the credit risk, as defined above.

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, when applicable, accounts receivable and holdbacks on contracts.

Cash equivalents are mainly risk-free or low risk investments. None of the cash equivalents consists of asset-backed commercial paper. Where this is the case, the Corporation deposit its cash equivalents with recognized financial institutions, the most important of which are Canadian chartered banks.

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.

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

As previously described, credit risk arising from the concentration of its clients is also mitigated through monitoring and the measures available to the Corporation. In fact, two (2) clients accounted for 60% of the revenues generated during the fiscal year ended January 31, 2017, one (1) of whom was part of the concentration of the Corporation's revenues during the fiscal year ended January 31, 2016 (70% of revenues were generated by three (3) clients during the fiscal year ended January 31, 2016, one (1) of whom was part of the concentration of the Corporation's revenues during the fiscal year ended January 31, 2015).

As at January 31, 2017, 85% of contracts receivable was concentrated with five (5) clients (61% of contracts receivable attributable to one (1) client as at January 31, 2016). It should be noted that given the specialization of its market niches, such concentration risk is virtually unavoidable.

The book value of the contract receivables is reduced by a specific allowance for doubtful accounts when necessary. As at January 31, 2017, 5.5% of contracts receivable, representing $1,235,000 was overdue under contractual terms. Management believes that most of these accounts are not considered doubtful, considering they are with established corporation or were cashed since and therefore no allowance for doubtful accounts was necessary as at January 31, 2017.

As at January 31, 2016, 6.5% of accounts receivable or $1,501,000 was overdue under contractual terms, however, the fact that most of these amounts were financed by government agencies explained the longer delays in the collection of contracts receivable, and consequently, Management believed that no allowance for doubtful accounts was necessary as at January 31, 2016.

28.3 **Liquidity Risk**

Liquidity risk is the risk that the Corporation is unable to fulfill its obligations as they come due. The Corporation manages its liquidity risk by forecasting cash flows from operating, investing and financing activities. The senior management is also actively involved in the review and approval of contracts with clients and planned capital expenditures. To fund its liquidity requirements, the Corporation uses cash flows from its operating activities, the credit facilities, issuance of debts and shares. In addition, in order to alleviate this risk, the Corporation has a policy that essentially targets contracts that can generate positive cash flows throughout their execution.

As at January 31, 2017, the maturity analysis of financial liabilities was as follows:

(In thousands of CA$)	**Book Value as at January 31, 2017**	**Less than 1 Year**	**From 1 to 3 Years**	**From 4 to 5 Years**	**More Than 5 Years**	**Total**
	$	$	$	$	$	$
Credit facilities	13,336	13,336	—	—	—	13,336
Accounts payable and other current liabilities	16,585	16,585	—	—	—	16,585
Long-term debt [(1)]	18,714	1,669	4,377	4,305	15,082	25,433
	48,635	**31,590**	**4,377**	**4,305**	**15,082**	**55,354**

(1) Includes interest on long term-debt, except for the book value as at January 31, 2017.

As at January 31, 2016, the maturity analysis of financial liabilities was as follows:

(In thousands of CA$)	Book Value as at January 31, 2016	Less than 1 Year	From 1 to 3 Years	From 4 to 5 Years	More Than 5 Years	Total
	$	$	$	$	$	$
Credit facilities	17,772	17,772	—	—	—	17,772
Accounts payable and other current liabilities	15,219	1,478	3,172	3,420	11,832	19,902
Long-term debt [(1)]	403	403	—	—	—	403
	33,394	19,653	3,172	3,420	11,832	38,077

(1) Includes interest on long term-debt, except for the book value as at January 31, 2016.

As at January 31, 2017, in addition to the unused credit facilities, the Corporation’s cash, cash equivalents totalled $334,000 ($2,377,000 as at January 31, 2016). Considering the available liquidities to meet its obligations, the Corporation's exposure to liquidity risk is nominal.

NOTE 29
FINANCIAL INSTRUMENTS

29.1 **Categories for Measurement**

As explained in Note 2, financial assets and liabilities have been classified in categories specifying their basis for measurement, and in the case of items measured at fair value specifying whether changes in the fair value are recognized in the consolidated statement of income or in other comprehensive income (loss). The categories are: fair value through net income, loans and receivables, assets available-for-sale and, in the case of liabilities, amortized cost.

The next table provides the book value per class of financial instruments as at January 31, 2017 and 2016:

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Loans and receivables		
Cash and cash equivalents	**334**	2,377
Accounts receivable	**22,326**	23,146
Holdbacks on contracts	**3,613**	1,693
Other current assets	**17**	33
	26,290	27,249
Assets available-for-sale		
Equity investments	**215**	157
	215	157
Financial liabilities at fair value through net income		
Derivative financial instruments	**696**	—
	696	—
Liabilities amortized at cost		
Credit facilities	**13,336**	—
Accounts payable and other current liabilities	**16,585**	17,772
Long-term debt	**18,714**	15,219
	48,635	32,991
Financial liabilities at fair value through net income		
Derivative financial instruments	**—**	403
	—	403

As at January 31, 2017 and 2016, given the upcoming maturity dates of cash and cash equivalents, accounts receivable, other current assets, holdbacks on contracts, credit facilities, accounts payable and other current liabilities, their fair value was equal to their book value.

As at January 31, 2017 and 2016, 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 book value of the derivative financial instruments as at January 31, 2017 and 2016 was equal to their fair value since they are classified as financial assets or liabilities at fair value through net income, 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, 2017 and 2016, since a majority of the long-term debt bears fixed interest rates, and the Corporation believes it can obtain similar terms and maturity dates at year-end.

29.2 **Fair Value Hierarchy of Financial Assets and Liabilities**

In accordance with IFRS, the Corporation measures its financial assets and liabilities using the following fair value hierarchies, which have been defined as follows:

— Fair value - Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.

— Fair value - Level 2: For inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

— Fair value - Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation classified its equity investments within fair value level 1, since they are based on inputs that are observable in an active market.

The Corporation classified its derivative financial instruments, foreign exchange forward contracts and foreign currency options within fair value level 2, since they are essentially based on inputs that are observable other than in an active market.

NOTE 30
SEGMENTED INFORMATION

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

Fiscal Years Ended January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Revenues		
Canada	**17,957**	22,368
United States	**84,889**	75,721
	102,846	98,089

As at January 31,	**2017**	2016
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**50,110**	47,480
United States	**46,276**	49,795
	96,386	97,275

(1) The non-current assets mainly include property, plant and equipment, intangible assets, investment tax credits and others non-current assets.

Revenues from external clients were allocated to each country on the basis of the project's location.

During the fiscal year ended January 31, 2017, 60% of the Corporation's revenues were realized with two (2) clients, for respective amounts of $36,825,000 from the United States and $24,304,000 from the United States and Canada, one (1) of whom was part of the Corporation's revenues concentration during the fiscal year ended January 31, 2016.

During the fiscal year ended January 31, 2016, 70% of the Corporation's revenues were realized with three (3) clients, for respective amounts of $30,489,000 from the United States, $24,480,000 from the United States and Canada, and $13,269,000 from Canada, one (1) of whom was part of the Corporation's revenues concentration during the fiscal year ended January 31, 2015.

NOTE 31
SUBSEQUENT EVENT

On April 12, 2017, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 16, 2017 to shareholders of record as at April 28, 2017.

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