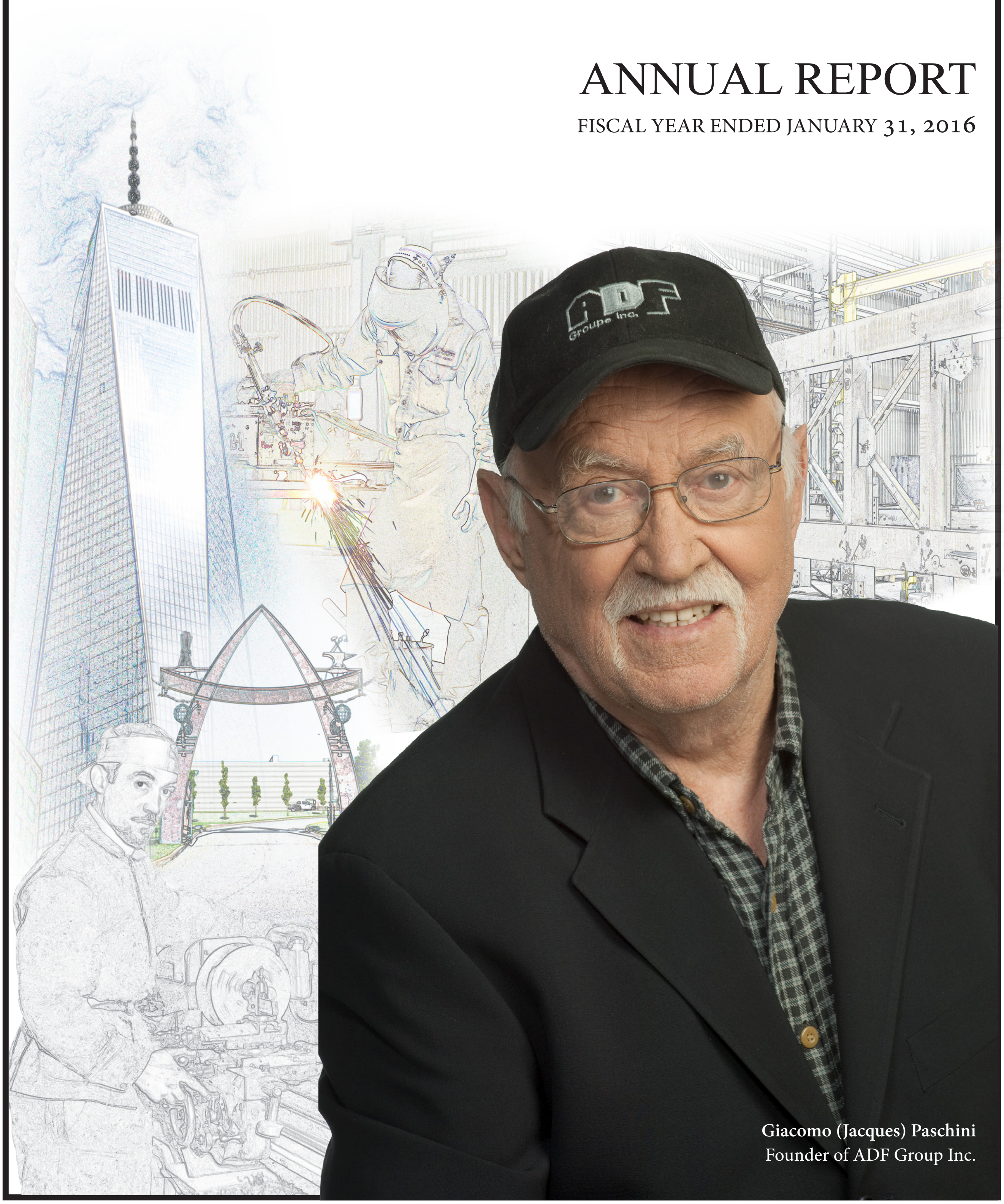
60 YEARS OF HISTORY

ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 31, 2016



Giacomo (Jacques) Paschini
Founder of ADF Group Inc.

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Our Mission

To forge innovative and customized solutions with our clients.

In addition to the coordinates of our main business places, you can find in this section the information relating to ADF Group Inc. next Annual Meeting of Shareholders.

Removable Section

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

This section includes the Management's Discussion and Analysis report, the audited consolidated financial statements for the fiscal year ended January 31, 2016, as well as the Management and the Independent Auditor reports.

FORWARD-LOOKING STATEMENTS

Management of ADF Group Inc. ("ADF" or the "Corporation") 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 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 Management's Discussion and Analysis (MD&A) Report for the fiscal year ended January 31, 2016.

Company Profile

HISTORY

From a blacksmith shop founded in 1956, ADF Group Inc. has become over the years a North American leader in the design and engineering of connections, the fabrication, including the application of industrial coatings, and the installation of complex steel structures, heavy steel built-ups, and miscellaneous and architectural metalwork.

The year 2016 marks the 60th anniversary of ADF Group Inc.

DIVISIONS

ADF Group Inc. uses the latest technologies in its industry and operates five divisions, they are, a 58,530 square-meter (630,000 square feet) state-of-the-art fabrication plant, which also houses a 3,900-square-meter (42,000 square feet) paint shop, in Quebec, Canada, and a state-of-the-art fabrication plant of 9,290 square meters (100,000 square feet) and a 4,460-square-meter (48,000 square feet) cutting edge paint shop in the State of Montana, USA, as well as a Construction division, based in Florida, USA, which specializes in the installation of steel structures. and other related products.

Fabrication Plant (Terrebonne, Quebec)

EXPERTISE

A pioneer in the development and implementation of innovative solutions, ADF Group Inc. is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, and projects subject to fast-track schedules.

MARKETS

The Corporation's products and services are intended for the following five segments of the non-residential construction industry:

- Industrial Complexes
- Airport Facilities
- Office Towers and High-Rises
- Transport and Public Infrastructure
- Commercial Buildings, Recreational Venues and Sports Complexes

Financial Highlights

FISCAL YEAR ENDED JANUARY 31.	2016	2015	2014	2013	2012
(In thousands of dollars and in dollars per share)	$	$	$	$	$
OPERATING RESULTS					
Revenues	98,089	76,058	92,997	41,412	48,431
Earnings before interest, taxes, depreciation and amortization (EBITDA) (1) (2)	7,244	1,594	14,234	1,221	6,032
Income before income taxes expense (recovery)	2,787	(2,777)	10,610	(1,779)	3,768
Net income	1,699	(1,570)	7,682	(1,554)	1,812
FINANCIAL POSITION					
Total assets	146,471	137,815	127,984	106,530	108,519
Shareholders' equity	107,533	103,958	101,833	91,426	93,763
Total debt, net of liquidities (total liquidities net of debt) (2)	12,842	1,402	(13,452)	(23,480)	(18,336)
Working capital	20,961	19,476	29,615	35,038	42,620
OTHER CONSOLIDATED FINANCIAL DATA					
Liquidities (3)	2,377	8,735	19,473	27,142	24,538
Cash flows from operating activities	(1,157)	1,420	13,744	11,377	8,126
Net acquisition of property, plant and equipment	8,591	13,860	22,683	5,004	1,230
RATIOS					
Current ratio	1.96 :1	1.88 :1	2.53 :1	3.51 :1	4.93 :1
Long-term debt/Shareholders' equity	0.14 :1	0.10 :1	0.06 :1	0.04 :1	0.07 :1
PER-SHARE INFORMATION					
Basic earnings per share	0.05	(0.05)	0.24	(0.05)	0.06
Diluted earnings per share	0.05	(0.05)	0.23	(0.05)	0.05
Book value per share	3.30	3.20	3.13	2.82	2.89

(1) Excluding foreign exchange variations.

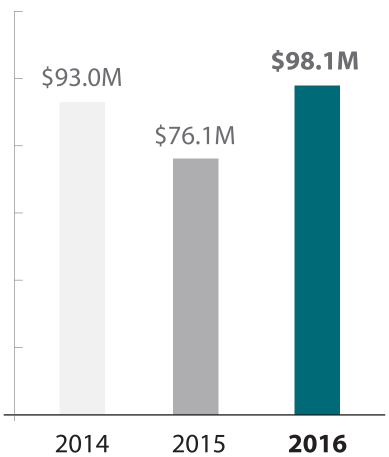
(2) EBITDA and the total debt, net of liquidities (total liquidities net of debt) are not a performance measures recognized by IFRS standards, and are not likely to be comparable to similar measures presented by other issuers. Management, as well as investors, consider these to be useful information to assist them in assessing the Corporation's profitability and ability to generate funds to finance its operations (refer to Section 10 "Non-GAAP Measures" of the Management's Discussion and Analysis for the fiscal year ended January 31, 2016, for the definition of these metrics and reconciliation to the most comparable IRFS measures).

(3) Including cash, cash equivalents and short-term investments.

Key Figures

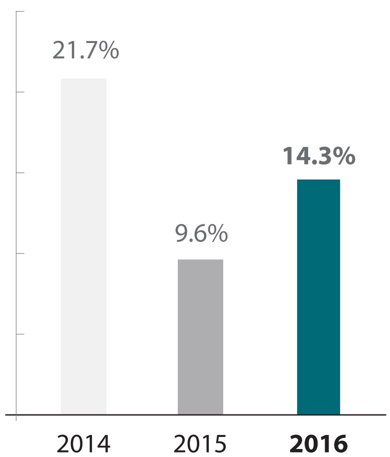
REVENUES

(In millions of dollars)



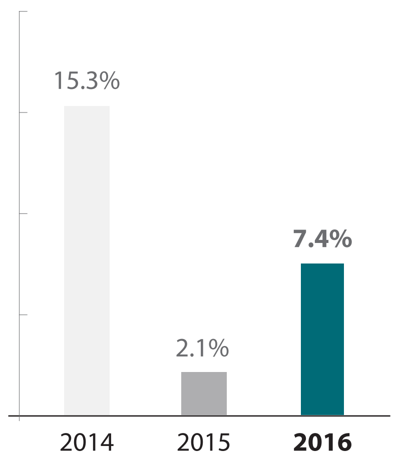
GROSS MARGIN

(As a % of revenues)



EBIDTA

(As a % of revenues)



Data compared with Fiscal 2015

Total Assets

$146.5M

+ 6.3%

Shareholders' Equity

$107.5M

+ 3.4%

Book value per Share

(In dollars per share)

$3.30

+ 3.1%

Fabrication Plant (Terrebonne, Quebec)

Message to shareholders

It was on August 15, 1956, in a small abandoned 19-square-meter (200 square feet) shed in Sainte Rose, a neighboring suburb of Montreal, Quebec, that our father, Jacques Paschini opened his blacksmith shop, and where he forged the very first steel pieces that would become ADF Group's foundation.

In this year, marking the 60^{th} anniversary of ADF Group Inc., we deem appropriate to commemorate the hard work and perseverance of our father, who still to this day, is able to see the fruit of his years of hard labor.

The year of ADF's jubilee will coincide with the deployment of a new business plan establishing the main axis of the development strategy that we will adopt for the coming years.

In light of the significant investments made during the past years, both in Great Falls, in the state of Montana, and at our facilities located in Terrebonne, Quebec, and in response to the changes in our markets, this strategic alignment will provide us with a renewed game plan for the coming years, building on the combination of our asset base and the expertise forged over the past six decades.

We further discuss ADF Group Inc.'s new business plan in the next pages.

THE PAINT SHOP

With a surface area of 3,900 square meters (42,000 square feet), equipped with the latest generation equipment and respecting in all aspects the most stringent environmental standards, the design of our new paint shop in Terrebonne, was entrusted to our own team of experts.

The new paint shop, commissioned in mid-March 2016, provides ADF with greater flexibility and a better control of the costs associated with the application of industrial coatings; a highly sophisticated industry segment.

Paint Shop (Terrebonne, Quebec)

The Year in Review

THE RESULTS

ADF Group returned to profitability during its fiscal year ended January 31, 2016.

Revenues reached $98.1 million, representing an increase of almost 30% over the previous year. The gross margin, as a percentage of revenues, amounted to 14.3%, surpassing the gross margin recorded during the fiscal year ended January 31, 2015, which stood at 9.6%. The increase in gross margin reflects a better product mix and a higher fabrication volume; two factors that have contributed to a better operational performance. As for our facilities in Great Falls, Montana, USA, which combine our 9,290-square-meter (100,000 square feet) fabrication plant and our 4,460-square-meter (48,000 square feet) industrial paint shop, we have continued their integration during this past year, in line with the implementation timeframes. These two business units will continue providing our Corporation with an operational flexibility.

ADF Group closed the fiscal year with a net income of $1.7 million, whereas the Corporation recorded a negative net income of $1.6 million the previous year.

ADF's financial position remains strong, even though the liquidities have gone down.

The working capital for its part recorded better results than the previous year, reaching $21.0 million, for a ratio of 1.96:1.

During the 2016 fiscal year, ADF Group concluded an agreement with a Crown corporation in order to provide the Corporation with an additional $20.0 million borrowing capacity.

We continued our strategic investments by injecting $9.0 million in our assets, in order to further enhance our global products and services offer. Because we have ample room for internal expansion, most of the invested monies went toward the construction of a new cutting edge paint shop within our own fabrication complex, in Terrebonne.

THE ORDER BOOK

The Corporation order book reached close to $71.0 million on January 31, 2016.

On March 30, 2016, ADF Group announced the award of new orders totalling $43.5 million, in Canada and the United States; the Corporation's main markets. It is important to point out that these more recent orders were not included in the Corporation's order backlog as at January 31, 2016.

It is therefore with an increased order book, improved results and a strong financial position that we started the fiscal 2017.

Fabrication Plant (Great Falls, Montana)

Outlook for the Forthcoming Fiscal 2017

"TO FORGE INNOVATIVE AND CUSTOMIZED SOLUTIONS WITH OUR CLIENTS"

This is ADF Group's new mission statement for the coming years. More than a simple phrase, this mission combines our past, our strengths and our *raison-d'être*.

Our new mission reflects the values which are dear to our father and which remain the cornerstones of ADF Group. This new mission is the anchor point of our new business plan. For several months now, ADF Group's Management team, in collaboration with its Board of Directors and the contribution of staff members, is working on the main axis on which the Corporation will build its development and growth strategies in the coming years.

OUR FIVE MAIN PILLARS

This business plan will further highlight all of the Corporation's operational units, focusing on our five main pillars, they are ; our two fabrication plants and our two paint shops, in Terrebonne, Quebec and in Great Falls, Montana, as well as our Construction division based in Pompano Beach, Florida, which specializes in the installation of steel structures and other related products. Combined with a larger geographical coverage, these five pillars, which together form our complete range of products and services, provide our clients with an operational synergy.

In addition, as part of this new business plan, in order to maintain the backlog to an optimum level for all of our business units, we will implement a more dynamic approach focusing on fabrication volume, all the while staying true to the conservative risk approach adopted over the past years. With four state-of-the-art plants, a Construction division specialized in installation work, and a proven industry expertise, ADF Group is committed to maintaining a solid order backlog. Essentially, a robust order book allows for the best use of our resources and staff, and consequently resulting in a better absorption of fixed costs. In short, a high fabrication volume helps maintaining a good productivity level in our plants.

In order to provide our clients more refined and customized services, we will also build to further promoting the advanced skills of our staff and the strength of our multidisciplinary teams, in terms of drawings and engineering. Our first ambition is putting the experience we have gained over the years in the fabrication of steel superstructures to use for our clients, and provide them with additional added value, by accompanying them from the onset of their respective projects, both at the level of drawings and engineering.


Fabrication complex (Terrebonne, Quebec)


Paint Shop (Terrebonne, Quebec)


Fabrication Complex (Great Falls, Montana)


Paint Shop (Great Falls, Montana)


Installation/Construction Division (Pompano, Florida)

We have significantly invested in our assets during the past years, and mainly for the construction of a new complex in the state of Montana, which was in line with our market development strategy in Western Canada and USA.

Specifically, we have invested over $50 million since the 2012 fiscal year, so that today, ADF Group's total assets include two modern fabrication plants, each having adjacent innovative paint shops. In addition to a wider range of products and services, our facilities allow us to access more markets from east to west of North America.

As for our paint shops, they provide ADF an undisputable flexibility. Indeed, not only the application of various specialized industrial coatings and abrasive blasting services are now part of our global offer, we can also offer highly sophisticated products and services, such as metallization and the application of epoxy based polymer concrete, thanks to the long-standing industry expertise of our senior staff and the skills of our production teams.

Our capital investment program will be more conservative during the coming years. The time has come to build on our past investments and generate excess cash flows.

We recognized that the approach we will adopt is ambitious. While we are seeing encouraging signs in our markets, we must nevertheless face a heightened competition, and as the steel structure industry becomes global, the selling prices are under additional pressure, all the while a level of uncertainty relating to public finances remains, predominantly in Canadian provinces.

OUR EMPLOYEES

The number of employees has more than doubled in the past four years. As at January 31, 2016, ADF Group employed 571 persons, in Quebec, Florida and Montana. Besides being beneficial to local economies where the Corporation has a physical presence, this growth is a source of motivation that drives us to go further. Although some challenges accompany this growth, we have the structures in place to address them adequately.

In keeping with one of the most cherished values to our father, our employees are our most important asset. For that reason, we will continue investing in the training of our employees and we will ensure that they have all the tools needed to meet the highest requirements.

Sixty years ago, in a small workshop in Sainte Rose, a single man, passionate about his blacksmith profession, rolled up his sleeves and embarked on a commercial adventure with all the conviction and talent to succeed. Today, while the third generation of the founding family has started learning the fundamentals of the family business, we continue to draw from the motivation that once animated our father to achieve his goals.

We have quality assets, we have in our ranks the required talents and we possess the know-how to grow ADF Group. And we will do it!

Through these years, the Corporation has benefited from the support of its shareholders, and we thank you. We are very aware that this trust is earned and we will make every effort to live up to your expectations. We are confident that the investments made in past years and our future actions will contribute to ensuring a sustainable and profitable growth of ADF Group Inc.

/ Signed /

Jean Paschini
Co-chairman of the Board of Directors and Chief Executive Officer

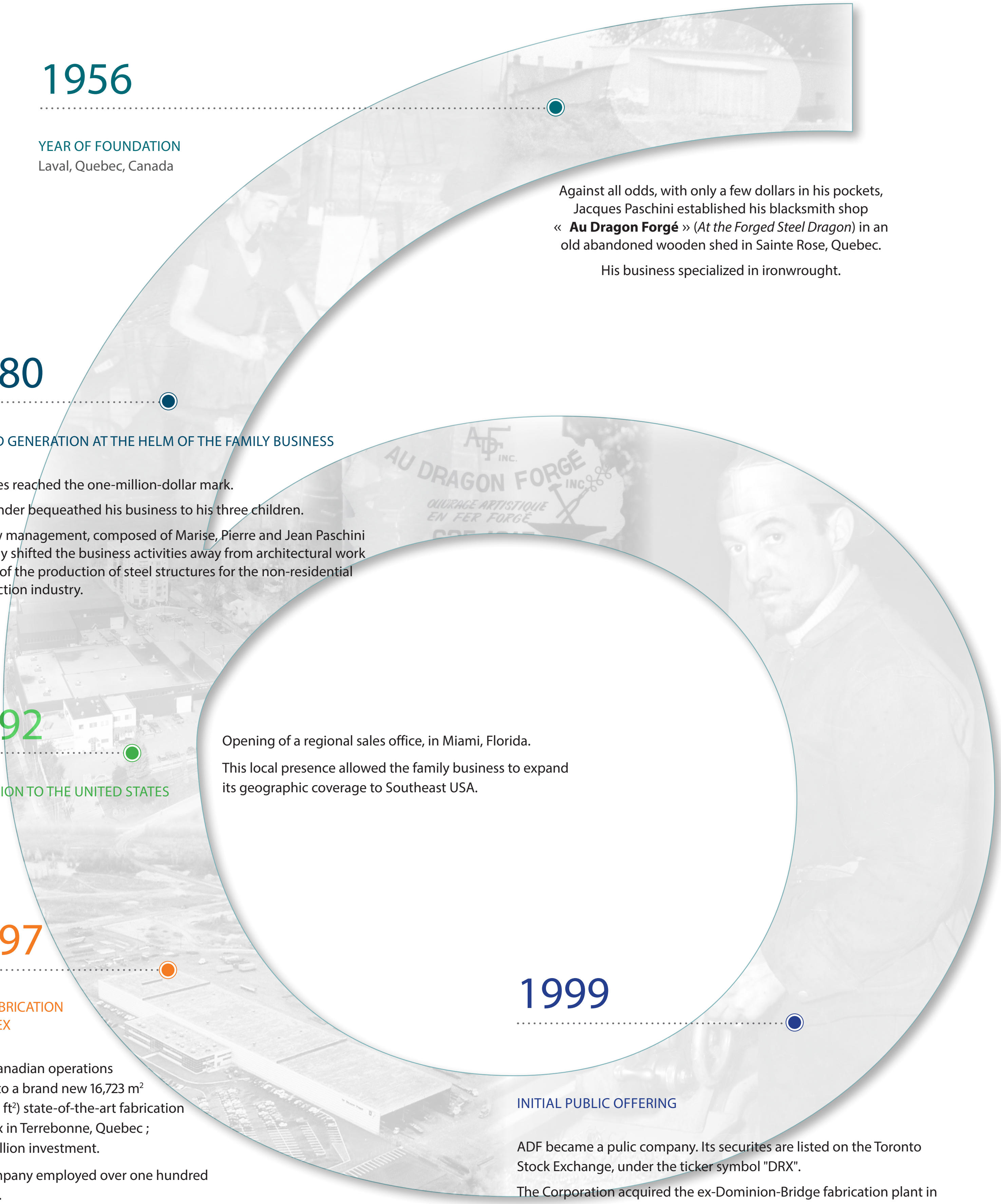
/ Signed /

Pierre Paschini, Eng.
President and Chief Operating Officer

/ Signed /

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

Terrebonne, Quebec, April 13, 2016



1956

YEAR OF FOUNDATION
Laval, Quebec, Canada

Against all odds, with only a few dollars in his pockets, Jacques Paschini established his blacksmith shop « **Au Dragon Forgé** » (*At the Forged Steel Dragon*) in an old abandoned wooden shed in Sainte Rose, Quebec.

His business specialized in ironwrought.

1980

SECOND GENERATION AT THE HELM OF THE FAMILY BUSINESS

Revenues reached the one-million-dollar mark.

The founder bequeathed his business to his three children.

The new management, composed of Marise, Pierre and Jean Paschini gradually shifted the business activities away from architectural work in favor of the production of steel structures for the non-residential construction industry.

1992

EXPANSION TO THE UNITED STATES

Opening of a regional sales office, in Miami, Florida.

This local presence allowed the family business to expand its geographic coverage to Southeast USA.

1997

NEW FABRICATION COMPLEX

ADF's Canadian operations moved to a brand new 16,723 m^2 (180,000 ft^2) state-of-the-art fabrication complex in Terrebonne, Quebec ; a $10 million investment.

The company employed over one hundred persons.

1999

INITIAL PUBLIC OFFERING

ADF became a pulic company. Its securites are listed on the Toronto Stock Exchange, under the ticker symbol "DRX".

The Corporation acquired the ex-Dominion-Bridge fabrication plant in Lachine, Quebec, gaining a solid expertise in the fabrication of heavy steel built-ups.

This plant was sold a few years later.

2016

NEW PAINT SHOP

ADF set up a new 3,900 m^2 (42,000 ft^2) paint shop in its own Terrebonne fabrication complex. This provides ADF with new tools to capture new business sectors, as new products and services are added to its global offer.

Today, the Corporation employs over 570 people.

While the second generation continues to invest and innovate to further grow ADF Group, the third generation of the founding family has gradually started entering the ranks in the Corporation, in the past years.

The story continues.

2013

NEW FABRICATION PLANT AND NEW PAINT SHOP IN THE UNITED STATES

ADF launched its expansion program to the USA, totalling nearly $40 million.

The Corporation acquired a 100-acre land (4,4 million ft^2) in Great Falls, Montana on which it built a new 9,290 m^2 (100,000 ft^2) state-of-the-art fabrication plant, and set up a 60-acre fabrication and pre-assembly yard.

The year following the commissing of its new fabrication plant, ADF opened a new 4,460 m^2 (48,000 ft^2) paint shop, at that same location, in Montana.

2001

PLANT EXPANSION AND UPGRADE CONSOLIDATION OF ADF'S CANADIAN OPERATIONS

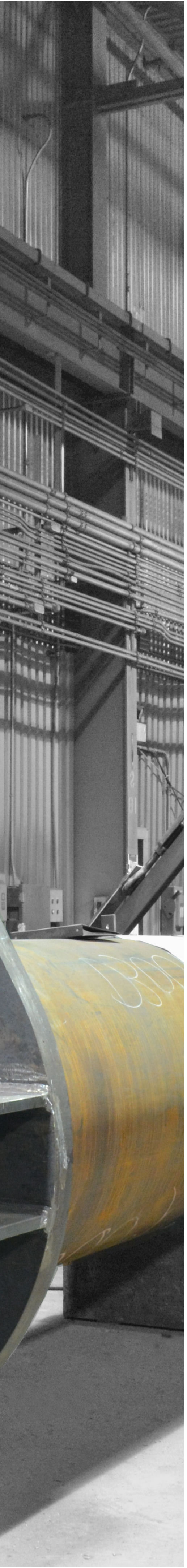
Approximately $30 million were used to expand and update the plant in Terrebonne. The plant's total surface more than doubled to 58,530 m^2 (630,000 ft^2) and the annual fabrication capacity reached the 100,00-ton mark. By 2006, all of ADF's Canadian operations were consolidated under the same roof.

ADF became an expert in highly complex steel structure projects. So much so, that ADF's solid know-how was sollicited for large-scale and ambitious projects like the reconstruction of the World Trade Center, in New York.

years

The Order Book

Fabrication Plant (Terrebonne, Quebec)



The Projects

During the fiscal year ended January 31, 2016, ADF signed nearly $100 million worth in new contracts, in Canada and in the United States, and that is not including new contracts totalling close to $44 million that were more recently added.

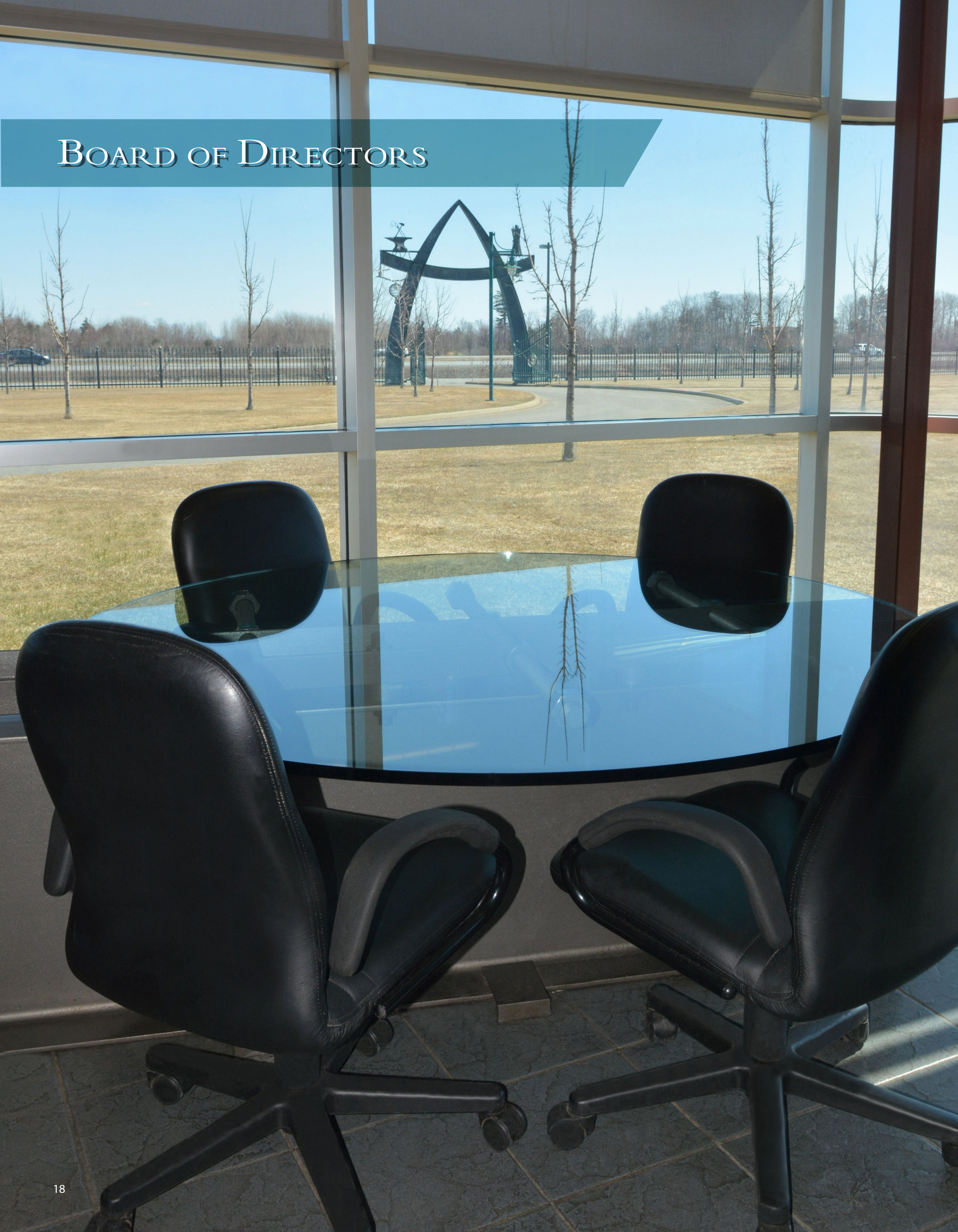
The projects awarded to ADF during the 2016 fiscal year include, among others, the fabrication of some highly complex steel components and steel structures used in the construction of major sports stadiums, commercial buildings, manufacturing plants and transport infrastructure projects.

The level of complexity of the fabrication process in the case of some of these projects has been increased due, for example, to the significant number of welds and by the fact that many of the steel components, which are part of the design of these superstructures, are made up of pieces with complex geometry. And where there is complex geometry, there is also close tolerances. Therefore, the need for several different in-plant trial assemblies also added to the complexity of the projects. To help ensure increased productivity and efficiency during the actual trial assemblies of the steel components in the plant, testing were first conducted through computer simulation exercises. Subsequently, relying on drawings and the three-dimensional (3D) modeling developed by our staff, the trial assemblies were used to validate the accuracy of the connections and the precise positioning of all the juxtaposed and superimposed steel parts which form these steel built-ups. Generally, the trials performed in the plant also enable us to confirm the integrity of the steel built-ups before being shipped knock-down to the sites, where they will be erected in their final position. In short, this stage of a project is an added-value to the content of our products, in terms of quality and accuracy. Thus, beyond meeting the respective conditions and requirements of the projects that are awarded to ADF, our main goal is the clients and project owners' satisfaction. This added-value is therefore a dimension that allow optimizing the time estimated for installation work on site, reducing interruptions and improve cost control on sites.

We have assiduously continued to train our staff in Great Falls. So much so that today, just two years after the commissioning of our new fabrication plant and paint shop in Montana, the transfer of knowledge and skills development provided by our Terrebonne staff members have helped this team to reach the required level of competence to undertake large-scale projects, fabricate increasingly complex steel pieces and achieve intricate assemblies, in terms of geometry, size and weight.

The award the contracts during the 2016 fiscal year and those more recently signed, led to the creation of several new jobs at both our fabrication plants. These new jobs are mainly related to the production. In addition, the new paint shop in Terrebonne, which is in operation since mid-March 2016, also resulted in the creation of an additional number of jobs. Today, there are 571 persons forming ADF's team.

Board of Directors



Board Members

Jean Paschini	Co-Chair and Chief Executive Officer, ADF Group Inc.
Antonio P. Meti, B. Comm [1,2]	Co-Chair and Independent Board Leader, ADF Group Inc. President, G.D.N.P. Consulting Services Inc.
Pierre Paschini, Eng.	President and Chief Operating Officer, ADF Group Inc.
Marise Paschini	Executive Vice-President, Treasurer and Corporate Secretary, ADF Group Inc.
Marc L. Belcourt, Eng. (ret) [1,2]	Construction Consultant
Michèle Desjardins, MBA, F.Adm, CMC, ICD.D [1,2]	President and Founder, Koby Consulting Inc. Senior Partner, Lansberg Gersick & Associates, LLC
Frank Di Tomaso, FCPA, FCA, ICD.D [1,2]	Corporate Director
Robert Paré [2]	Senior Partner, Fasken Martineau DuMoulin, LLP

(1) Member of the Audit Committee, chaired by Mr. Di Tomaso.

(2) Member of the Compensation, Nominating and Governance Committee, chaired by Ms. Desjardins.

Management Committee

Jean Paschini
Chief Executive Officer

Pierre Paschini, Eng.
President and Chief Operating Officer

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

Jean-François Boursier, CPA, CA
Chief Financial Officer

Carolyn Hanson-Carbonneau, M. Eng.
Vice-President, Engineering and Operations

General Information

Information to Shareholders

Annual and Special Meeting of Shareholders

June 15, 2016 at 11:00 a.m.

Hotel Sheraton Laval
2440 Autoroute des Laurentides
Laval, Quebec, Canada H7T 1X5

2016 Annual Information Form

Available on SEDAR website (www.sedar.com) and on ADF Group's website (www.adfgroup.com) and at the Corporation's headquarters.

Investor Relations

To receive the information distributed by ADF Group Inc. on a regular basis, you are invited to send your request to:

ADF Group Inc.
Public Relations Department
300 Henry-Bessemer
Terrebonne, Quebec, Canada J6Y 1T3

T. (450) 965-1911
F. (450) 965-8558
E. infos@adfgroup.com

or

Computershare - Investor Services
1500 Robert-Bourassa Blvd., Suite 700
Montreal, Quebec, Canada H3A 3S8

T. (514) 982-7888
F. (514) 982-7974

Stock Information

The Corporation's securities are listed on the Toronto Stock Exchange under the ticker symbol TSX: DRX.

On April 13, 2016, there were 18,278,435 subordinate voting share issued and outstanding.

Corporate Information

Head office

ADF Group Inc.
Fabrication Complex and Paint Shop
300, Henry-Bessemer, Terrebonne, Quebec, Canada J6Y 1T3

Main subsidiaries

ADF International Inc.
Fabrication Plant
1900 Great Bear Avenue, Great Falls, Montana, USA 59404

ADF International Inc.
Construction Group
Sales/Estimating Office, Warehouse
1925 N.W. 15th Street, Pompano Beach, Florida, USA 33069

ADF Industrial Coating Inc.
Paint Shop
1904 Great Bear Avenue, Great Falls, Montana, USA 59404

Financial institution

National Bank of Canada
2500 Daniel-Johnson Boulevard, Suite 200, Laval, Quebec, Canada H6T 2P6

Law firm

Fasken Martineau Du Moulin, LLP
Stock Exchange Tower, 800 Sq. Victoria, Suite 3400, Montreal, Quebec, Canada H4Z 1E9

Transfer agent and registrar

Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard, Suite 700, Montreal, Quebec, Canada H3A 3S8

Independent auditor

PricewaterhouseCoopers, LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montreal, Quebe, Canada H3B 4Y1

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Annual Report design: ADF Group Inc.

The electronic version of ADF Group Inc. 2016 Annual Report is available at www.adfgroup.com.

The French version of ADF Group Inc. 2016 Annual Report is also available at www.adfgroup.com.

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Telephone: (450) 965-1911
Toll free: 1 (800) 263-7560

ADF Group Inc.

MANAGEMENT’S DISCUSSION AND ANALYSIS
OF THE FINANCIAL POSITION AND OPERATING RESULTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year Ended January 31, 2016

60 Years 1956 - 2016

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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, 2016.

1. GENERAL

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF", "ADF Group" or "the Corporation") between January 31, 2015 and January 31, 2016. It also compares the operating results and cash flows for the fiscal year ended January 31, 2016 to those of the previous year. This MD&A covers all major events that occurred during the 2016 fiscal year and between February 1, 2016 and April 13, 2016, on which date ADF Group Inc.'s Board of Directors approved the consolidated financial statements, as well as the MD&A for the fiscal year ended January 31, 2016.

This analysis should be read in conjunction with the Corporation's audited consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2016. The consolidated financial statements and the comparative information have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 to the consolidated financial statements for the fiscal year ended January 31, 2016.

The Corporation reports its results in Canadian dollars. All amounts in this MD&A are expressed in Canadian dollars, except where otherwise indicated.

2. FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors with additional information regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ from those expressed in or implied by these forward-looking statements.

Such factors include, but are not limited to: the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or managers; availability and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section 26 "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

The expectations expressed by the forward-looking statements are based on information available to the Corporation on the date such statements were made. However, there can be no assurance that such estimates will prove to be correct. All subsequent forward-looking statements made, whether written or verbally, by the Corporation or persons acting on its behalf, are expressly qualified in their entirety by the caveats referred to above. Unless otherwise required by applicable securities legislation, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

3. OVERVIEW

From a blacksmith shop founded in 1956, ADF Group has become over the years a North American leader in 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. 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. The Corporation uses the latest technologies in its industry and operates two state-of-the-art fabrication plants and two cutting-edge paint shops. ADF Group's complex located in Canada houses the Corporation's head office, the 58,530-square-metre (630,000-square-foot) fabrication plant, which includes the 3,900 square-meter (42,000 square feet) paint shop. ADF's complex in the United-States is home to the 9,290-square-metre (100,000 square feet) fabrication plant, the 60-acre pre-assembly yard and the 4,460-square-meter (48,000 square feet) paint shop built next to the fabrication plant.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, and projects subject to fast-track schedules. ADF Group's commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

4. COMMERCIAL POSITIONING

ADF Group serves a diversified client base in the non-residential construction market in Canada and the United States:

— General contractors;
— Project owners;
— Engineering firms and project architects;
— Structural steel erectors; and
— Other steel structure fabricators.

5. MARKET TRENDS

The non-residential construction industry includes the products and services related to the construction of commercial, institutional and industrial buildings, such as office towers, commercial buildings, hotels, sports complexes, museums, recreational complexes, as well as manufacturing plants and other industrial facilities. This sector also encompasses public works, including the construction and renovation of infrastructures and buildings, notably, hydroelectric dams, airports, bridges and overpasses. It should be noted that the demand in this sector is related to business cycles. Generally, there are more private projects in a bull cycle, whereas government projects take over in a bear cycle.

According to Management, approximately half of the non-residential projects use structural steel as a structural component, while the other half primarily uses concrete. Generally, structural steel accounts for about 10% to 20% of a project's total cost, depending on the project's nature. Structural steel offers a number of advantages when compared to other materials, which explains its increasing use in the construction of complex structures. These advantages include durability, speed of installation, greater flexibility in fast-track projects, lower installation and maintenance costs, as well as its high strength/weight ratio as a result of improved alloys.

Generally, there are more complex steel structure projects in the United States than in Canada, which can result in a certain dependence of the Corporation on the U.S. market.

Globally, the markets in which the Corporation is active performed well last year. The trends observed during the fiscal year ended January 31, 2016, will continue to be positive for ADF, although differently from one region to another.

On the Canadian side, the general situation is a bit more mixed. Discussions have begun between the provinces and the Federal Government with respect to its election promise to inject an additional $60 billion in infrastructure over the next decade, including $20 billion over the next four years. While this promise created optimism in Canada, it is still too early to speculate whether there will be opportunities for ADF depending on the nature of the projects that the government will put forward in the short term.

As for the US market, several indicators allow us to be optimistic. The American Architectural Billings Index (ABI) closed the year of 2015 on an upward trend. This index, which is a taste of upcoming projects, recorded interesting increases in the US Midwest and Southwest markets; regions where ADF has either an historical presence or is currently developing one. The number of new residential constructions is also on the rise in the United States. Although this particular market has no direct impact on our activities, it has always been a catalyst for the rest of the economy. Finally, we see several American states taking measures to allocate budgets for major infrastructure programs. It should be pointed out that by having a complex in Montana it provides ADF access to publicly-funded infrastructure projects in the United States.

ADF Management team is encouraged by these trends. Many major projects are currently being discussed and although some questions remain unanswered, the general trends observed in our markets are on the rise and allow us to look forward to the 2017 fiscal year, with optimism.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

The following main events marked the fiscal year ended January 31, 2016:

— On April 8, 2015, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, payable on May 15, 2015 to shareholders of record as at April 30, 2015.

— On April 9, 2015, the Corporation announced having concluded a series of commercial agreements totalling more than $46.0 million. These new orders were won on the US East coast and extended to the spring of 2016.

— On April 14, 2015, ADF announced that it had entered into agreements with Mr. Jean Paschini, Mr. Pierre Paschini and Ms. Marise Paschini for the repurchase of 750,000 subordinate voting shares at a price of $2.40 per share, for a total consideration of $1.8 million. The repurchased shares were issued upon the exercise of stock options that were granted in April 2005, and that would have expired in April 2015. Following these transactions, the number of subordinate voting shares of the Corporation held directly or indirectly by Jean Paschini, Pierre Paschini and Marise Paschini remained unchanged.

— On May 8, 2015, the Corporation announced that Mr. Marc A. Benoît and Mr. Marc Filion, would not stand for re-election to the Corporation's Board of Directors at the Shareholders meeting in June 2015, and they have tendered their resignation as members of the Board of Directors effective May 1st, 2015. The Corporation also announced the appointment of Ms. Michèle Desjardins and Mr. Frank Di Tomaso, as independent members of the Corporation's Board of Directors, effective May 1st, 2015.

— On September 10, 2015, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, that was paid on October 15, 2015, to shareholders of record as at September 30, 2015.

- On November 2, 2015, ADF Group announced the award of several commercial agreements with existing and new clients, totalling $49 million. All these new orders were for the most part awarded in the U.S. East Coast and Quebec, and are part of different new construction projects for commercial and industrial buildings, and transport infrastructure projects. The new contracts mostly involve fabrication work, including the shop drawings and the supply of material (steel), and the installation of various steel structures, including heavy steel built-up components. In addition, a number of these contracts also include special surface treatment.

  On that same day, the Corporation also announced having received the approval of its Board of Directors and the permit from *Ministère du Développement durable, Environnement et Lutte contre les changements climatiques du Québec*, to start construction on the new 3,900 square-meter (42,000 square feet) paint shop at its own Terrebonne complex.

- On November 20, 2015, the Corporation closed the purchase of a property (land and building), in Florida, USA, where it will move its US installation operations and sales office. This acquisition provides the Corporation with larger facilities for the storage of its installation equipment used to erect steel structures. The cost of this transaction is US$1.3 million and is financed through the Corporation's liquidities. On the other hand, the property owned by the Corporation which previously housed its sales office and warehouse has been sold on December 1st, 2015 for the total sum of US$1.1 million.

7. SIGNIFICANT EVENTS THAT HAVE OCCURRED SINCE JANUARY 31, 2016

On February 22, 2016, the Corporation draw the second tranche of $5.0 million of the new loan received during the third quarter of the 2016 fiscal year. The Corporation obtained a long-term loan, which could reach $20.0 million from a government corporation, to finance, among others, its working capital. The first $5.0 million tranche was received at the issuance of the loan in August 2015, whereas the final tranche of $10.0 million will be issued, when appropriate, at the Corporation's request, under certain conditions.

On March 30, 2016, the Corporation announced the award of a series of commercial agreements, totalling in excess of $43 million. These new orders were mostly awarded in Quebec and in the U.S. East Coast. These new orders mainly consist in the fabrication work, which includes the shop drawings and the supply of the raw material (steel), as well as the application of special industrial coatings and installation of various steel structures and heavy steel built-up components for industrial and commercial buildings and transport infrastructure projects, including the new Champlain Bridge project in Montreal. These new projects will extend until July 2017.

8. EXCHANGE RATE

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currency. Average monthly rates (considered a reasonable approximation to actual rates at the date of transactions) are used to translate revenues (except for foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the fiscal year ended January 31, 2016, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Statements of Income and Comprehensive Income				**Statements of Financial Position**	
	Quarterly		*Cumulative*			
($ CA/$ US)	**2016**	2015	**2016**	2015	**2016**	2015
First quarter (April 30)	**1.2482**	1.1051	**1.2482**	1.1051	**1.2064**	1.0960
Second quarter (July 31)	**1.2478**	1.0817	**1.2480**	1.0932	**1.3080**	1.0904
Third quarter (October 31)	**1.3160**	1.1055	**1.2707**	1.0973	**1.3075**	1.1271
Fourth quarter (January 31)	**1.3734**	1.1674	**1.2957**	1.1144	**1.4006**	1.2711
Annual averages	**1.2957**	1.1144				

Although the Canadian dollar recently stabilized, it continued its downfall that started last year, in relation to the U.S dollar. The average annual rate of the Canadian dollar lost more than 16% of its value compared to the U.S. dollar. Given the breakdown between the Corporation's revenues (sales) and expenses denominated in Canadian and U.S. dollars, the exchange rate variation had a favorable impact of $2.0 million on the Corporation's gross margin during the fiscal year ended January 31, 2016.

Moreover, as explained further in this MD&A, from time to time and accordingly to its internal policy, the Corporation enters into foreign exchange forward contracts to mitigate the exchange risk. As at January 31, 2016, given the drop in the Canadian dollar, the Corporation recorded a $0.4 million non-cash foreign exchange loss on the market value of its foreign exchange forward contracts, at that date. This loss is recorded in the "Other gains" in the Consolidated Statement of Income (see Section 13 of this MD&A).

9. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The summary of ADF's significant accounting policies is described in Note 2 "Summary of Significant Accounting Policies" of the notes to consolidated financial statements for the fiscal year ended January 31, 2016. The policies that the Corporation deems the most critical to adequately understand and assess its reported financial results, include the following:

9.1 Revenue and Cost Recognition

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

In summary, Management would like to point out that 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 the specific mix of revenues and costs recorded on all projects for every given period.

9.2 Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires Management to make judgments in applying accounting methods used and to make estimates and assumptions for the future that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Because financial reporting involves accounting judgments and entails the use of estimates, actual results could differ from those estimates.

As indicated hereinabove, the valuation of work in progress and deferred revenues requires 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 stock options, taxes, provisions and contingencies, also require estimates.

10. NON-GAAP MEASURES

The financial information in this MD&A has been prepared in accordance with IFRS, with the exception of certain financial indicators that do not have standardized meaning as prescribed by IFRS and therefore are considered non-GAAP (Generally Accepted Accounting Principles). When such indicators are used, they are defined and the reader is informed. The Corporation uses the following non-GAAP indicators to measure its operating performance and the achievement of objectives:

12-Month Periods Ended January 31,	**2016**	2015
Working capital (in thousands of dollars)	**$20,961**	$19,476
Current ratio	**1.96 :1**	1.88 :1
Long-term debt to shareholders' equity ratio	**0.14:1**	0.10:1
Total debt, net of liquidities (total liquidities, net of debt) (in thousands of dollars)	**$12,842**	$1,402
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity ratio	**(0.12):1**	(0.01):1
Liabilities to shareholders' equity ratio	**0.36:1**	0.33:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$7,244**	$1,594
EBITDA margin (as a percentage of revenues)	**7.4%**	2.1%
Book value per share (in dollars)	**$3.30**	$3.20
Return on shareholders' equity	**1.6%**	(1.5)%

10.1 Working Capital

The working capital indicator is used by the Corporation to assess whether current assets are sufficient to meet current obligations. Working capital is equal to current assets less current liabilities, whereas the current ratio is calculated by dividing current assets by current liabilities.

Generally, Management's goal is to maintain a current ratio of at least 2:1. Although this ratio was a little below this goal as at January 31, 2016 and 2015, the Corporation establishes the achievement of this goal on the pursuit of its strategy focusing on the execution of contracts generating positive cash flows throughout their execution. It should be noted that the drawing up and/or revision of this corporate goal depends on a number of factors, such as the economic context, the renewal of the normal course issuer bid ("NCIB") program, where appropriate, and expansion projects that might arise.

10.2 Long-Term Debt to Shareholders' Equity

This ratio indicates the extent to which the Corporation depends on long-term financing as it measures the relationship between the Corporation's indebtedness and the capital invested by shareholders. It represents the Corporation's total long-term debt, including the current portion, over shareholders' equity.

Generally, the Corporation's goal is to reduce this ratio through monthly reimbursements to creditors and the expected operating profitability. However, the pursuit of this goal could be hindered by the increase in the U.S. dollar in relation to the Canadian dollar since a significant portion of the long-term debt is denominated in U.S. dollars. In the long term, Management's strategy is to maintain prudent management of its capital structure and debt ratio based on its potential development projects, economic context and business opportunities.

10.3 Total Debt, Net of Liquidities (Total Liquidities, Net of Debt)

This indicator indicates, in absolute value, the Corporation's total net leverage. Although total debts exceed the liquidities, the Corporation believes that a reasonable leverage represents an effective use of its liquidities and its borrowing power.

The table below reconciles this indicator with the items in the Consolidated Statement of Financial Position:

As at January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Cash and cash equivalents	**(2,377)**	(7,946)
Short-term investments	**—**	(789)
Current portion of long term debt	**868**	763
Long term debt	**14,351**	9,374
Total debt, net of liquidities (total liquidities, net of debt)	**12,842**	1,402

10.4 Total Cash, Cash Equivalents and Short-Term Investments, Net of Long-Term Debt, to Shareholders' Equity

This ratio measures the level of cash, cash equivalents and short-term investments, net of long-term financing, in relation to the capital invested by shareholders. It represents the Corporation's total cash, cash equivalents and short-term investments, net of long-term debt, including the current portion, over shareholders' equity.

As at January 31, 2016 and 2015, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt, thus explaining this negative ratio.

10.5 Liabilities to Shareholders' Equity

This ratio indicates the extent to which the Corporation depends on debt financing. It represents the Corporation's total liabilities over shareholders' equity.

In the short term, Management's goal is to maintain this ratio at a comfortable level through, among other things, monthly repayments of the long-term debt and the anticipated operating profitability. However, the achievement of this objective could be slowed down by certain factors, of which:

- An increase in accounts payable and other current liabilities;
- The renewal of its NCIB, where appropriate; and
- The impact of fluctuations in the Canadian dollar in relation to the U.S. dollar on liabilities denominated in U.S. dollars.

10.6 EBITDA and EBITDA Margin

EBITDA shows the extent to which the Corporation generates profits from operations, without considering the following items:

- Financial revenues and financial expenses;
- Income tax expense;
- Other gains;
- Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Net income	**1,699**	(1,570)
Income tax expense (recovery)	**1,088**	(1,207)
Financial revenues	**(79)**	(151)
Financial expenses	**574**	399
Amortization	**4,615**	4,181
Other gains	**(653)**	(58)
EBITDA	**7,244**	1,594
— As a % of revenues	**7.4%**	2.1%

10.7 Book Value

This financial ratio indicates the book value of each outstanding share (multiple voting shares and subordinate voting shares) issued at the end of the targeted quarter. The book value is equal to shareholders' equity divided by the total number of shares outstanding.

The book value per share went from $3.20 on January 31, 2015 to $3.30 on January 31, 2016, which represents an increase of more than 3%. Management expects this value to further increase because it anticipates that the Corporation will be profitable throughout the fiscal year ending January 31, 2017 and, when appropriate, will continue to repurchase subordinate voting shares in the normal course of business.

10.8 Return on Shareholders' Equity

This ratio indicates the return on shareholders' investment during the relevant fiscal year. It is equal to net income over shareholders' equity.

Based on net income for the fiscal year ended January 31, 2016, return on shareholders' equity worked out to 1.6% compared with (1.5)% for the fiscal year ended January 31, 2015.

11. KEY PERFORMANCE INDICATORS ("KPI")

The Corporation measures its performance on a company-wide basis through the following elements:

— Profitability;
— Liquidities;
— Growth and competitive positioning;
— Financial position and returns.

To this end, the Corporation developed KPIs. The indicators against which each item is assessed are presented below:

Items measured	Profitability	Liquidities	Growth and Competitive Positioning	Financial Position and Returns
KPI	Gross margin	EBITDA	Revenues	Working capital
	EBITDA	Cash flows	Order backlog	Long-term debt to shareholders' equity ratio
	Production capacity utilization			Total net debt to shareholders' equity ratio Return on equity
What is being measured	Operating performance assessment	Assessment of liquidity generation	Assessment of growth, future revenues and competitive positioning	Assessment of short-term and long-term financial position soundness, and return to shareholders

Most of these KPIs are discussed later in this MD&A. Some of these KPIs are not publicly disclosed since they are of a competitive nature.

Moreover, the Corporation's incentive plan is based on the achievement of financial objectives and specific personal goals. The financial objectives are based on EBITDA.

12. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	**2016**	2015	2014
(In thousands of dollars and in dollars per share)	**$**	$	$
Revenues	**98,089**	76,058	92,997
Net income	**1,699**	(1,570)	7,682
— Basic per share	**0.05**	(0.05)	0.24
— Diluted per share	**0.05**	(0.05)	0.23
Total assets	**146,471**	137,815	127,984
Non-current liabilities	**17,093**	11,835	6,811
Annual dividend per share	**0.02**	0.02	0.02

During the fiscal year ended January 31, 2016, revenues totalled $98.1 million, recording a $22.0 million increase compared with last year. Net income has also recorded an increase during the fiscal year ended January 31, 2016. As further explained below, these increases, when compared with the fiscal year ended January 31, 2015, stem from a higher fabrication volume, a better absorption of fixed costs, as well as the favorable impact of the exchange rate, as previously explained.

ADF Group's investments in Great Falls, Montana, mainly explain the increase in the Corporation's total assets, which was also accentuated by the increase in the U.S. dollar in relation to the Canadian dollar, at the end of the fiscal year.

Finally, the increase in non-current liabilities is mainly explained by the issuance of new Canadian dollars denominated debts to finance the working capital, as well as the increase in the value of the U.S. dollar.

13. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2016

During the 12 months of operations between February 1, 2015 and January 31, 2016, the Corporation pursued its activities consisting of the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures and heavy steel built-ups, mainly in Canada and the United States.

13.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**98,089**	76,058	22,031	29.0
Cost of goods sold	**84,069**	68,791	15,278	22.2
Gross margin	**14,020**	7,267	6,753	92.9
— As a % of revenues	**14.3%**	9.6%		4.7

a) **Revenues**

Revenues during the fiscal year ended January 31, 2016, totalled $98.1 million, up by $22.0 million compared with the 2015 fiscal year.

The revenues are determined on the basis of the costs incurred on the various projects executed during the fiscal year. The increase in revenues stems mainly from higher fabrication levels throughout the Corporation's operational units. It is important to point out that the 2015 fiscal year was the first year of operation of our fabrication plant located in Great Falls.

In terms of economic dependency, 70% of the Corporation's revenues during the fiscal year ended January 31, 2016, were realized with three (3) clients (one (1) of whom was part of the revenues concentration for the fiscal year ended January 31, 2015), for amounts of $30.5 million from the United States, $24.5 million from the United States and Canada, and $13.3 million from Canada, who each accounted for 10% or more of the Corporation's revenues.

Although the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

b) **Gross Margin**

The gross margin in dollar value increased by $6.8 million during the 2016 fiscal year compared with the 2015 fiscal year, in line with the increase in revenues previously explained. As a percentage of revenues, the gross margin went from 9.6% during the fiscal year ended January 31, 2015 to 14.3% during the fiscal year ended January 31, 2016.

This increase, as a percentage of revenues, is mainly explained by the product mix, a better absorption of costs, in line with the higher fabrication volume and the favorable impact of the exchange rates.

In addition, as described in Section 21 "Order Backlog", the fabrication hours are not only the Corporation's core activity, but are also its most value-added activity. To that effect, the revenues during the fiscal year ended January 31, 2015, were comprised of 52% of fabrication hours compared with 53% for the year ended January 31, 2016, which also explains, to a lesser extent, the increase recorded in gross margin during the 2016 fiscal year.

Increases or decreases in raw material (mainly steel) prices do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients supply the steel to be transformed by ADF, whereas protection clauses with regard to price changes are usually included in contracts where ADF supplies the steel. In addition, the natural hedge attributable to revenues and the purchase of raw materials in U.S. dollars mitigates the impact of exchange rate fluctuations.

13.2 Selling and Administrative Expenses

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**11,391**	9,854	1,537	15.6
— As a % of revenues	**11.6%**	13.0%		(1.4)

Selling and administrative expenses amounted to $11.4 million, posting a $1.5 million increase over the 2015 fiscal year. This increase is attributable, for the most part, to higher bidding costs, as well as the impact of the exchange rate on the conversion of selling and administrative expenses denominated in U.S. dollars.

13.3 Amortization

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses (see Note 18 "Classification of Expenses by Nature" to the consolidated financial statements). However, Management considers it appropriate to continue separately commenting on amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**4,615**	4,181	434	10.4
— As a % of revenues	**4.7%**	5.5%		(0.8)

The amortization expense for the 2016 fiscal year amounted to $4.6 million, which was $0.4 million more than that of the 2015 fiscal year. This increase is almost exclusively attributable to the commissioning of the paint shop in Great Falls, Montana.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**3,675**	3,370	305	9.1
Amortization expense included in selling and administrative expenses	**940**	811	129	15.9
Total amortization	**4,615**	4,181	434	10.4

13.4 **Financial Revenue and Financial Expenses**

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(79)**	(151)	72	47.7
Financial expenses	**574**	399	175	43.9
	495	248	247	99.6
— As a % of revenues	**0.5%**	0.3%		0.2

The increase in net financial expenses relates to the issuance of new debts and the collection of short-term investments during the fiscal year.

The interest rate swap covering 25% of the principal debt's balance, implemented in April 2010 allowing the Corporation to partially protect itself against fluctuations in interest rates, expired during the 2015 fiscal year. This derivative financial instrument was classified as held-for-trading and measured at its fair value at the end of every quarter; since it was not designated as part of an effective hedging relationship, hedge accounting was not applied.

During the fiscal year ended January 31, 2016, the utilization of the interest rate swap was no longer required to hedge interest rate risk given that the balance of the long-term debt, including the credit facility, included a reasonable combination of fixed and variable interest rates.

13.5 **Other Gains**

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss (gain)	**(35)**	(58)	23	39.7
Loss (gain) on disposal of property, plant and equipment	**(618)**	—	(618)	Neg.
	(653)	(58)	(595)	Neg.
— As a % of revenues	**(0.7)%**	(0.1)%		(0.6)

a) Foreign Exchange Loss (Gain)

The foreign exchange gain recorded during the fiscal year ended January 31, 2016, includes a $1.3 million foreign exchange gain on ongoing operations and a $1.2 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2016 fiscal year, in accordance with the new IFRS standards, a $3.7 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income.

The foreign exchange gain recorded during the fiscal year ended January 31, 2015, included a $1.2 million foreign exchange gain on ongoing operations and a $1.1 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2015 fiscal year, in accordance with the new IFRS standards, a $4.3 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income.

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 fiscal year ended January 31, 2016, 58% of the Corporation's revenues were recorded in U.S. dollars (21% during the fiscal year ended January 31, 2015). Considering the improvement in U.S. markets and the commissioning of its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to increase during the fiscal year 2017.

During the fiscal year ended January 31, 2016, in line with its hedging policy, given the increase in its net risk between future U.S. denominated cash inflows and outflows, the Corporation used the following derivative financial instruments, which are classified as held-for-trading and measured at their fair value at the end of each period, since they are not designated as part of an effective hedging relationship.

The detail of the derivative financial instruments on hand as at January 31, 2016, was established as follows:

	As at January 31, 2016			
	In thousands $US [(1)]	In thousands $CA [(1)]	Average Rate	Maturity date
Foreign Exchange Forward Contracts	**2,625**	**3,690**	**1.4059**	**February 5, 2016**
	2,000	**2,632**	**1.3162**	**July 29, 2016**
	2,000	**2,631**	**1.3156**	**October 31, 2016**
	1,000	**1,315**	**1.3146**	**January 31, 2017**

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

Based on the balance, as at January 31, 2016, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars (all other variables remaining constant), would have resulted in a $86,000 variation in net income before tax ($469,000 in 2015) and $464,000 variation in comprehensive income before tax ($633,000 in 2015). 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) Loss (Gain) on Disposal of Property, Plant and Equipment

During the fourth quarter of the 2016 fiscal year, the Corporation sold a land and its building located in Florida, USA. This disposal generated a $0.6 million gain.

13.7 **Income Tax Expense (Recovery)**

For the 2016 fiscal year, the income tax expense represented an average effective tax rate of 39%, compared with an income tax recovery that represented an average effective tax rate of 43.5% for the 2015 fiscal year. The difference between these rates and the Corporation's Canadian effective rate (26.9%) is mainly explained by the breakdown of income before income tax (profits or losses) from U.S. and Canadian jurisdictions, which use different income tax rates. It should be noted that the US average effective rate is higher than 40%.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense (recovery)	**1,088**	(1,207)	2,295	Pos.
— As a % of revenues	**1.1%**	(1.6)%		2.7

Income tax expense (recovery) has currently no material impact on the Corporation's cash inflows and outflows.

A balance of $3.6 million relating to net deferred income tax assets remained available as at January 31, 2016. This will have a favourable impact on future cash outflows of the Corporation, which will not have to pay future income tax until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future income tax assets are fully used in a given jurisdiction, the Corporation will be required to resume paying income taxes in that jurisdiction.

13.8 **Net Income, Basic and Diluted Earnings per Share**

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars and in dollars per share)	**$**	$
Total net income	**1,699**	(1,570)
— As a % of revenues	**1.7%**	(2.1)%
Total basic earnings per share	**0.05**	(0.05)
Total diluted earnings per share	**0.05**	(0.05)

The increase in net income during the fiscal year ended January 31, 2016, compared with fiscal 2015 is for the most part explained by the previously described reasons, but mainly by the increase in gross margin and the gain on disposal of property, plant and equipment.

14. COMMENTS ON QUARTERLY RESULTS

Trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's fabrication activities are not, as such, subject to seasonal fluctuations. However, the non-residential construction market in which the Corporation is active goes through upward and downward cycles, as evidenced by the current global economy.

Overall, quarterly fluctuations in the following indicators result mainly from the changes in the revenue mix and accrued costs within different projects and for every given period, together with the lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

More specifically, and in light of the results for the last eight (8) quarters presented below, these fluctuations are mostly explained by the fabrication schedules of the different projects announced by the Corporation. Considering that revenues are established based on incurred costs on these different projects carried out by the Corporation, revenues and operating results can differ significantly from quarter to quarter because of these execution schedules.

14.1 Results for the Last Eight Quarters

Fiscal Years Ended January 31,	**2016**				2015			
	4th Quarter (01.31.2016)	**3rd Quarter** (10.31.2015)	**2nd Quarter** (07.31.2015)	**1st Quarter** (04.30.2015)	**4th Quarter** (01.31.2015)	**3rd Quarter** (10.31.2014)	**2nd Quarter** (07.31.2014)	**1st Quarter** (04.30.2014)
(In thousands of dollars and in dollars per share)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**29,084**	**21,260**	**19,063**	**28,682**	18,750	12,471	20,435	24,402
Gross margin (1)	**4,063**	**4,500**	**1,889**	**3,568**	1,456	777	2,202	2,832
— As a % of revenues	**14%**	**21%**	**10%**	**12%**	8%	6%	11%	12%
EBITDA (2)	**2,083**	**2,848**	**475**	**1,838**	203	(511)	496	1,406
— As a % of revenues	**7%**	**13%**	**2%**	**6%**	1%	(4)%	2%	6%
Income before income tax expense (recovery)	**1,521**	**1,524**	**(420)**	**162**	(872)	(1,610)	(651)	356
— As a % of revenues	**5%**	**7%**	**(2)%**	**1%**	(5)%	(13)%	(3)%	2%
Net income	**1,138**	**1,041**	**(537)**	**57**	(554)	(1,140)	(347)	471
— Basic per share	**0.03**	**0.03**	**(0.02)**	**0.00**	(0.02)	(0.04)	(0.01)	0.01
— Diluted per share	**0.03**	**0.03**	**(0.02)**	**0.00**	(0.02)	(0.04)	(0.01)	0.01

(1) Gross margin excluding foreign exchange variations.
(2) See Section 10 "Non-GAAP Measures" for the definition of EBITDA.

14.2 Results for the Fourth Quarter Ended January 31, 2016

The Corporation recorded revenues of $29.1 million during the quarter ended January 31, 2016, up by $10.3 million over the fourth quarter of fiscal 2015. This variation is mostly due to the higher fabrication level, in line with the previous quarters.

The gross margin as a percentage of revenues stood at 14% for the fourth quarter of the 2016 fiscal year, compared with 8% for the same quarter in the 2015 fiscal year. This increase relates to the increase in volume, the mix of fabrication type and the favorable impact of the exchange rate.

The Corporation recorded a net income of $1.1 million during the last quarter of 2016 fiscal year compared with a negative net income of $0.6 million for the same period in fiscal 2015. This increase is explained by the improvement in gross margin, the exchange rate gain, as well as the gain from the disposal of property, plant and equipment, as previously explained.

15. CASH FLOWS AND FINANCIAL POSITION

The Corporation posts a sound financial position and is on a solid footing to address its financial needs. Taking into account its cash and cash equivalents position, its short-term credit facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On January 31, 2016, cash, cash equivalents and short-term investments totalled $2.4 million, down by $6.4 million compared with January 31, 2015. As further described hereinafter, the decrease in available cash is explained by the fact that, during fiscal 2016, the Corporation invested more than $9.0 million in property, plant and equipment and intangible assets, most of which for setting up a new paint shop in its own fabrication plant in Terrebonne, Quebec.

Management believes that these available funds are sufficient to support the execution of its order backlog in hand on January 31, 2016, and to meet its financial commitments for the 2017 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages (see Section 34 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

15.1 **Operating Activities**

During the 2016 fiscal year the Corporation used cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**5,902**	2,689
Changes in non-cash operating working capital items:		
Accounts receivable	**(8,008)**	(881)
Holdbacks on contracts	**2,636**	(682)
Work in progress	**(399)**	(683)
Inventories	**(309)**	(44)
Prepaid expenses and other current assets	**(139)**	(475)
Accounts payable and other current liabilities	**651**	1,508
Deferred revenues	**(1,491)**	(16)
	(7,059)	(1,273)
	(1,157)	1,416
Income tax expense recovery	**—**	4
Cash flows from (used in) operating activities	**(1,157)**	1,420

Net income adjusted for non-cash items, totalling $5.9 million during the 2016 fiscal year, is $3.2 million higher than the 2015 fiscal year. This increase results mainly from the $3.3 million increase in net income.

During the 2016 fiscal year, changes in non-cash operating working capital items used cash of $7.1 million. This cash outflow is mostly explained by the increase in account receivables (totalling $8.0 million). This increase related to the activity level as at January 31, 2016, compared with the same date a year ago.

During the 2015 fiscal year, changes in non-cash operating working capital items used cash of $1.3 million. This cash outflow is mostly explained by the increase in accounts receivable, holdbacks on contracts, work in progress and prepaid expenses and other current assets (totalling $2.7 million), net of the increase in accounts payable and other current liabilities ($1.5 million). Generally, these increases are related to the activity level for the fiscal year ended January 31, 2015.

15.2 **Investing Activities**

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Disposal of short-term investments	**778**	—
Net acquisition of property, plant and equipment	**(8,591)**	(13,860)
Revenues from disposal of property, plant and equipment	**1,457**	—
Acquisition of intangible assets	**(411)**	(373)
Decrease (increase) in other non-current assets	**641**	(608)
Interest received	**96**	160
Cash flows from (used in) investing activities	**(6,030)**	(14,681)

During the 2016 fiscal year, $6.0 million in liquidities were used mostly to purchase property, plant and equipment, mainly for the construction of the new paint shop in Terrebonne, Quebec. Investing activities during the 2015 fiscal year used a net total of $14.7 million in liquidities primarily to build the new paint shop in Great Falls, Montana and to a lesser extent, completing the construction of the new fabrication plant in Montana

The increase in intangible assets for both fiscal years related primarily to the internal development and implementation of production and financial software.

The Corporation estimates capital expenditure for fiscal 2017 at approximately $5.0 million, which will primarily be dedicated to keeping up the production equipment to date at its plants in Terrebonne, Quebec and in Great Falls, Montana.

15.3 **Financing Activities**

The Corporation's financing activities were as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Issuance of long-term debt [(1)]	**4,893**	5,516
Repayment of long-term debt	**(772)**	(1,857)
Redemption of subordinate voting shares	**(1,918)**	—
Issuance of subordinate voting shares	**730**	31
Dividends paid	**(652)**	(650)
Interest paid on interest rate swap	**—**	(2)
Interest paid	**(552)**	(371)
Cash flows from (used in) financing activities	**1,729**	2,667

(1) Net of the $0.1 million financing fees during fiscal 2016

During fiscal 2016, financing activities generated liquidities of $1.7 million compared with a cash inflow of $2.7 million the previous year. Of this amount, $4.9 million came from the first portion of the new long-term loan that can reach $20.0 million. The second tranche of $5.0 million was drawn in February 2016 (See Section 33 "Subsequent Events") and the payment of the last tranche of $10.0 million will be issued at the Corporation's request.

During the 2015 fiscal year, as part of its investment project in Montana, the Corporation received $5.5 million in financing (US$5.0 million) from U.S. public authorities (see Note 14 "Long-Term Debt" in the Notes to the Consolidated Financial Statements included in this MD&A).

During the fiscal years 2016 and 2015, the Corporation reimbursed $0.8 million and $1.9 million respectively on its long-term debts. During the 2016 and 2015 fiscal years, the Corporation also paid $0.6 million in dividend to its shareholders of record.

During the 2016 fiscal year, the Corporation issued 887,400 subordinate voting shares, under its Stock Option Plan, for a cash consideration of $0.7 million (42,800 shares were issued during the 2015 fiscal year for a cash consideration of $31,000).

During the 2016 fiscal year, the Corporation redeem a total of 800,000 subordinate voting shares for a cash consideration of $1.9 million (none during fiscal 2015).

15.4 **Payment of Rents and Interest and Payment of Principal on Debt**

The Corporation pays interest on its long-term debts, based on interest rates that ranged between 1.98% and 4.7% as of January 31, 2016. The Corporation is currently making monthly principal repayments totalling less than US$0.1 million on these debts. Other rent payments are described in paragraph 15.6) below.

15.5 **Debt Covenants**

As at January 31, 2016, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during fiscal 2017.

15.6 **Contractual Obligations**

Long-term debt, including the obligations under a financial lease agreement, before interest:

(In thousands of dollars)	**$**
Less than one year	**868**
2 to 3 years	**2,071**
4 to 5 years	**2,506**
And more	**9,774**
Total	**15,219**

As at January 31, 2016, the Corporation was committed under operating leases for cars, office equipment and information technology equipment. These commitments amounted to $637,000, for which minimum annual payments due for the next five fiscal years are as follows: $248,000 in 2017, $176,000 in 2018, $114,000 in 2019, $76,000 in 2020 and $23,000 in 2021 and thereon.

As at January 31, 2016, the Corporation had commitments relating to the purchase of property, plant and equipment totalling $2.3 million, which will materialize during the fiscal year ending January 31, 2017.

15.7 **Commitments Related to Letters of Credit as at January 31, 2016**

During the fiscal year ended January 31, 2016, the Corporation held letters of credit, totalling $5.4 million at that date compared with $4.8 million as at January 31, 2015.

16. CAPITAL STOCK

Information on the outstanding shares, including stock options:

(In thousands of dollars, and in number of shares and options)	Subordinate Voting Shares		Multiple Voting Shares (1)		Total Outstanding Shares		Stock Options (2)
	Number	$	Number	$	Number	$	Number
As at January 31, 2014	18,148,235	53,138	14,343,107	16,001	32,491,342	69,139	1,368,864
Issued on exercise of stock options	42,800	46	—	—	42,800	46	(42,800)
Granted (forfeited)	—	—	—	—	—	—	100,000
As at January 31, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185	1,426,064
Issued on exercise of stock options	**887,400**	**1,174**	—	—	**887,400**	**1,174**	**(887,400)**
Share repurchase (3)	**(800,000)**	**(2,282)**	—	—	**(800,000)**	**(2,282)**	—
Granted (forfeited)	—	—	—	—	—	—	**(77,000)**
As at January 31, 2016	**18,278,435**	**52,076**	**14,343,107**	**16,001**	**32,621,542**	**68,077**	**461,664**

(1) These shares carry 10 votes per share.
(2) The weighted average exercise price of the current stock options is $2.68 per unit.
(3) See Section 19 “Normal Course Issuer Bid”.

17. STOCK OPTION PLAN

As at January 31, 2016, the Corporation had 32,621,542 shares outstanding (32,534,142 on January 31, 2015). During the 2016 fiscal year, the Corporation issued 887,400 subordinate voting shares at a weighted average price of $0.82 per share, for a total consideration of $1.2 million. All shares were issued under the Corporation’s stock option plan. At the date hereof, being April 13, 2016, the number of shares outstanding was practically unchanged.

During the 2015 fiscal year, the Corporation issued 42,800 subordinate voting shares at a weighted average price of $0.71 per share, all under its stock option plan, for a total consideration of $46,000.

As at January 31, 2016, a total of 461,664 stock options were issued and outstanding. These options, which had a weighted average life of 4.75 years before maturity, had a weighted average exercise price of $2.68 (see Note 15 "Capital Stock" in the Notes to the Consolidated Financial Statements).

18. DEFERRED SHARE UNITS PLAN

During the fiscal year ended January 31, 2011, the Board of Directors approved a Deferred Share Units Plan ("DSU") for its external directors, which came into effect during the second quarter ended July 31, 2011.

This deferred compensation plan allows every external director, who wants to participate, to defer in whole or in part his/her director’s compensation (including fees and attendance fees), by electing to receive a percentage of this compensation in the form of DSUs, 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 a director elects to participate in this plan, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the market value of the subordinate voting shares, which is established using the average closing price during the five (5) trading days preceding the date of grant. DSU are not convertible into shares of the Corporation and do not result in a dilution to shareholders.

In addition and independently to DSUs that can be granted to external directors for the purposes of deferring their directors’ compensation, the Deferred Share Units Plan also allows the Corporation’s Board of Directors to award, 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 DSUs. The Corporation therefore provides a letter to the beneficiary attesting such award, including the number of DSUs awarded and all vesting conditions.

When the Corporation pays dividends on subordinate and multiple 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 basis of calculation previously described.

For every DSU awarded, as well as for the variation in fair value, the Corporation recognizes a compensation expense with the counterpart in “Accounts payable and other current liabilities” of the Consolidated Statement of Financial Position. DSU compensation during the fiscal years ended January 31, 2016 and 2015, amounted to $48,000 and $55,000 respectively, each representing 19,319 and 22,526 units.

Fiscal Years Ended January 31,	**2016**	2015
(Number of deferred share units)		
Outstanding, at the beginning of year	**175,645**	153,119
Attributed	**19,319**	22,526
Exercised	**(73,618)**	—
Outstanding, at the end of year	**121,346**	175,645

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, 2016, an upward re-evaluation in the amount of $113,000 was recorded as compensation expense. For the fiscal year ended January 31, 2015, this re-evaluation resulted in $77,000 decrease in compensation expense.

19. NORMAL COURSE ISSUER BID

On May 30, 2014, the Corporation announced the renewal of its normal course issuer bid ("NCIB"), under which it was able to repurchase, for cancellation purposes, up to up to 1,375,824 subordinate voting shares, between June 4, 2014 and June 3, 2015. These 1,375,824 shares represent approximately 10% of the public float of the subordinate voting shares.

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 $2.1 million ($2.85 per share) including a disbursement of $1.8 million ($2.40 per share) and $0.3 million 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 disbursement and $25,000 from contributed surplus.

During the fiscal years ended January 31, 2015 the Corporation did not redeem subordinate voting shares under the NCIB programs.

20. DIVIDEND

During the fiscal year ended January 31, 2012, the Corporation's Board of Directors approved a dividend policy, payable semi-annually, which was extended since.

Consequently, during the fiscal year ended January 31, 2016, two semi-annual dividends of $326,000 (or $0.01 per share), representing $652,000 were recognized as distribution to its shareholders of record as at April 30, 2015 and September 30, 2015, 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.

During the fiscal year ended January 31, 2015, semi-annual dividends of $325,000 each (or $0.01 per share), representing $650,000 were recognized as distribution to its shareholders of record as at April 30, 2014 and September 30, 2014, of which $363,000 was for subordinate voting shares and $287,000 for multiple voting shares. These sums were paid on May 16, 2014 and October 15, 2014, respectively.

21. ORDER BACKLOG

ADF Group's order backlog totalled $70.6 million on January 31, 2016, compared with $48.0 million on the same date a year earlier. This variation is attributable to contract changes and new contracts.

As at January 31, 2016, 61% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 69% on January 31, 2015. Most of the contracts in hand as at January 31, 2016, will progressively be executed between now and the second quarter of Fiscal 2018.

22. FINANCIAL POSITION

As at January 31, 2016, the Corporation had a sound financial position. The Corporation's solid Consolidated Statement of Financial Position allowed it to obtain, when required, the necessary bonding for the award of large-scale contracts. This represents a major advantage for ADF within its markets.

The following table provides details on the major changes in the Consolidated Statement of Financial Position between January 31, 2016 and January 31, 2015.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash, cash equivalents and short-term investments	**(6.4)**	See Section 15 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	**9.0**	Increase in billing and impact of the exchange rate on the accounts receivable denominated in U.S. dollars.
Holdbacks on contracts	**(2.6)**	Decrease in accordance with the fabrication schedules of contracts on hand.
Work in progress/Deferred revenues (net)	**2.1**	Net difference between the work in progress and revenues billing.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Property, plant and equipment and intangible assets	**8.2**	Difference resulting from the acquisition of property, plant and equipment ($9.0 million) and the impact of the exchange rates ($4.6 million), net of amortization ($4.6 million) and disposal of property, plant and equipment, net of the gain ($0.8 million).
Accounts payable and other current liabilities	**1.8**	In line with the level of activities as at January 31, 2016 and the impact of the exchange rate fluctuations on accounts payable denominated in U.S. dollars.
Long-term debt (including current portion)	**5.1**	Increase attributable to impact of the exchange rate ($1.0 million) and the issuance of a new loan ($4.9 million net of issuance fees), net of debt repayments ($0.8 million).
Accumulated other comprehensive income	**3.7**	Impact of the variation in the foreign exchange rates on the translation of foreign operations.

23. CURRENT ECONOMIC ENVIRONMENT

Although the trends are improving in certain markets served by the Corporation, a degree of uncertainty remains regarding the economic context. In times of economic uncertainty, the Corporation is faced with the following challenges:

— Its business segment is strongly dependent on project owners' capacity to finance their projects. For lack of financing, certain projects can be delayed or simply abandoned. Although the Corporation strives to mitigate this risk by focusing its marketing efforts on projects whose financing is most likely to materialize, it has no control over financial market trends; and

— Certain project owners who secured financing on the start-up of projects could be forced to cease the work pursuant to the withdrawal of financing, due to a lack of capital of either the project lender or the owner. The Corporation mitigates this risk by ensuring that amounts due are diligently collected and, insofar as possible, maintaining at all times a positive cash flow for every project. Moreover, the Corporation does business with owners who are financially solid. At the date hereof, no project of the Corporation is subject to such constraints.

From a financing point of view, the Corporation has a solid financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its principal credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section 34 "Outlook") and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and in light of the fact that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, the Corporation will continue to use caution and will closely monitor the situation (see Sections 26 " External Factors to Which the Corporation's Performance is Exposed" and 34 "Outlook").

24. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2015, the Corporation granted advances to two Executive-Shareholders. These advances bear interest at the rate prescribed (1.0%) by the tax authorities and repayable during the fiscal year ending January 31, 2016. As at January 31, 2016, these advances were completely paid. Moreover, in the normal course of business, management agreements have been reached with companies held by a group of majority shareholders. These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Company	Type	Transactions with ADF Group Inc.	Fiscal Years Ended January 31,	
			2016	2015
			(In $)	(In $)
Groupe JPMP Inc.	Executives	Three executives of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment (see Section 10 of the Management Information Circular for the 2016 fiscal year).	**$1,300,690**	$1,288,376
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	**$96,708**	$94,831

25. EXECUTIVE OFFICERS' AND DIRECTORS' COMPENSATION

Base salaries of the Corporation's executive officers are competitive and are generally placed either between the 50th and 75th percentile or around the 75th percentile of a reference group made up of 14 publicly-traded Canadian companies similar to the Corporation in terms of size and operating in the same business segment as the Corporation, that is, construction, design and/or fabrication. Regarding the compensation of external directors (other than the Co-Chair of the Board of Directors and Independent Board Leader) is deemed competitive, considering that the annual fees are placed at the median of the reference group and the attendance fees are placed between the median and the 75th percentile. As for the single flat fee of the Co-Chair of the Board of Directors and Independent Board Leader, it is deemed competitive when taking into account the size of the company (See Sections 10 "Executive Compensation" and 11 "Compensation of Directors" of the 2016 Management Information Circular, for more details).

26. EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

26.1 Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $35,000 exchange gain was recorded for the fiscal year ended January 31, 2016, compared with a $58,000 exchange gain for the 2015 fiscal year.

In order to minimize the impact of exchange rate fluctuations on its results, the Corporation implemented the following protective measures:

— Issuance of two new debts in U.S. dollars during the fiscal year ended January 31, 2014, and one debt during the fiscal year ended January 31, 2015;

— When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars; and

— Implementation of a foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

26.2 Operating Risks and Uncertainties

The following is a description of the Corporation's main operating risks and uncertainties:

a) **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 this same lawsuit, are still pending, and in this context, the Corporation does not expect incurring significant disbursements.

b) **Uncertainties Relating to the World Economy**

The uncertainty related to the global economy could have a negative impact on the Corporation's business segment, i.e. the non-residential construction industry, particularly in North America, its primary market. At the date hereof, although the Corporation's order backlog will provide work for the next quarters, the uncertainty relating to the global economy could adversely affect the Corporation's revenues and profitability beyond that period.

c) **Bonding Capacity and Irrevocable Letters of Credit**

During the fiscal year ended January 31, 2016, the Corporation maintained the necessary bid bonds and/or letters of credit to its business partners, required for bids, as well as in the scope of contractual commitments, or other financial instruments, such as performance, payment and supply bonds or an irrevocable letter of credit.

d) **Operational Risks and Uncertainties That Could Have an Impact on the Corporation's Financial Position and Operating Results**

Normally, ADF's contracts are performed under contractual arrangements at firm prices. ADF has developed and applies rigorous risk assessment and management practices to reduce the nature and extent of the financial, technical and legal risks specific to each of these contractual agreements. ADF's continued commitment to strict risk management practices when undertaking and executing contracts includes the technical risks assessment, legal review of contracts, application of tight cost controls and scheduling of projects, regular review of projects' revenues, costs and cash flows, and implementation of agreements aimed at generating positive cash flows from projects and other provisions aimed at mitigating risks.

The following items could have an impact on the Corporation's future financial position and operating results:

— Economic conditions could exert pressure on the profit margins on new projects to be negotiated with clients and have an impact on the order backlog and the award of new contracts;

— Contractual changes overlapping two periods, that is, for which costs would have been recognized but no revenues recorded during a given period and no final settlement concluded with the client at the end of that period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;

— An increase in the price of steel might be a risk, although it would be mitigated by the sale price adjustment clauses concluded with clients and included in contracts;

— The risk associated with the fluctuations in interest rates is also mitigated by having a good mix between fixed-rate and variable-rate debts, as well as available liquidities, when appropriate, that can generate financial revenues;

— Competition in the Corporation's business segment;

— Economic dependency related to the concentration of its client base; the Corporation strives to mitigate this risk through its development strategy of broadening its geographical and market sectors;

- The assessment of custom duties or other protectionist measures by the United States, ADF's main market, on fabricated steel imports;
- Fluctuations in the exchange rate between the Canadian and U.S. dollars. However, this risk is mitigated in part by the foreign currency hedge policy adopted by the Corporation's Board of Directors; and
- The nature of contracts in hand, depending on the type of client, can influence the delay of collection. When these contracts are funded by government agencies, it is possible that the collection period of contract receivables is not impacted upward. However, the risk related to the collection is minimal given that these sums are actually guaranteed by government agencies. When these same contracts are funded by non-governmental organizations, Management believes that the vast majority of these accounts are not doubtful accounts since that they are with well-established companies.

27. FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and other current liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at January 31, 2016, the carrying amount of these financial instruments did not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt) or since they are re-evaluated at their fair value at the end of every period (in the case of equity investments and derivative financial instruments) (see Note 30 "Financial Instruments" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2016).

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are generally comprised of foreign exchange forward contracts and an interest rate swap.

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 29 "Financial Risk Management" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2016.

28. ASSESSMENT OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Corporation's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as of January 31, 2016, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter and the year ended January 31, 2016, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

29. DISCLOSURE AND INSIDER TRADING POLICIES

In accordance with its internal policies and guidelines, the Corporation diligently reports all relevant financial information. In addition, when the Corporation publishes its financial results or announces major contract awards or any other material information, it enforces a blackout period for its directors and managers, as well as for its personnel who wish to trade on ADF Group's securities, in order to ensure compliance and transparency of any trading by persons regarded as insiders. With regard to the employees, this blackout period can, under the circumstances, be either enforced for all the Corporation's employees or limited to a more restricted number of employees according to their knowledge of privilege information concerning the event to be disclosed.

In addition, in the context of the NCIB, the brokerage firm retained for the buyback is subject to the same rules with regard to the blackout period.

30. RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

- **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. Where such equity instruments are measured at fair value through other comprehensive income, 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 comprehensive income 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. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, 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.

— **IFRS 15 "Revenue from Contracts with Customers"**

The IASB published in May 2014, 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 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 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

— **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 has not yet quantified the effect of the published phases of these Standards nor does it intend, at this time, to early adopt these Standards until the mandatory effective date.

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.

31. ENVIRONNEMENT

ADF's operations are subject to various laws and regulations adopted by federal, provincial, state and local governments pertaining to environmental protection.

The Corporation's Terrebonne and Great Falls facilities were built on vacant land. The operations that could have a potential impact on the environment are welding, which generates smoke, and equipment maintenance, which generates waste oil and industrial coating, which generate fumes, ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations.

Waste oil is recuperated by specialized firms. The Corporation has the necessary environmental certificates of authorization for its two fabrication plants and for all expansion phases subsequently carried out.

Moreover, as part of the construction of its new paint shop in Terrebonne, the Corporation updated its environmental certificate of authorization for all its operations located in Terrebonne, including its fabrication plant. Following these investments, ADF Group's facilities in Terrebonne meet the highest environmental standards.

For the fiscal years ended January 31, 2016 and 2015, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

32. HUMAN RESOURCES

As at January 31, 2016, the Corporation employed a total of 571 people across its fabrication complex and head office in Terrebonne, Quebec, and its office, fabrication plant and paint shop in Great Falls, Montana, as well as the sales office and various construction sites in Florida, U.S.A.

33. SUBSEQUENT EVENTS

33.1 Dividend

On April 13, 2016, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 16, 2016 to shareholders of record as at April 29, 2016.

33.2 New Long-Term Debt

On February 22, 2016, the Corporation drew the second tranche of $5.0 million of the new loan contracted during the third quarter of the 2016 fiscal year. The Corporation obtained from, a government corporation, a long-term loan that could go up to total value of $20.0 million, to finance, among others, its working capital. The first $5.0 million tranche was received at the issuance of the loan, whereas the final tranche of $10.0 million will be issued at the Corporation's request, under certain conditions.

34. OUTLOOK

At the dawn of the 2017 fiscal year, which marks the 60th anniversary of ADF Group, the Corporation's Management looks forward with optimism. Today, we have five centers of excellence in North America, including the new paint shop in Terrebonne, which started operations this past March. Together, these operational units will allow us to efficiently serve the North American market. Our fabrication plants in Terrebonne, Quebec and in Great Falls, Montana, together with adjacent paint shops, provide us with a wider range of products and services. Finally, our construction and installation group based in Florida has also grown.

In light of the investments made in past years, we are also reviewing our ways of working, and preparing a new business plan which will combine our experience spanning 60 years and these investments. The 2016 fiscal year is the first step in the right direction with increased results, a growing order backlog and new markets in our target.

We also undertook measures toward increasing ADF's financial flexibility. To this end, we have concluded an agreement to increase our borrowing capacity, providing us with greater flexibility, without putting pressure on our financial position. The strength of our financial position was, is and will remain an asset for ADF.

For the 2017 fiscal year, our goal is to consolidate all our new investments, making sure we maintain a healthy order book, in order to support all of our activities, and continuing to find ways to improve our operational processes. All of these measures will translate into improve profitability, which will allow us to pursue the work begun sixty years ago.

35. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the fiscal year ended January 31, 2016 has been approved by the Corporation's Board of Directors as of April 13, 2016.

The Corporation regularly discloses information through press releases, quarterly and annual reports and the Annual Information Form, available on the Corporation's website at www.adfgroup.com and the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.SEDAR.com.

Ms. Marise Paschini	Mr. Jean-François Boursier, CPA, CA
/ Signed /	/ Signed /
Executive Vice-President, Treasurer and Corporate Secretary	**Chief Financial Officer**

Terrebonne, Quebec, Canada, April 13, 2016

MANAGEMENT'S REPORT

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 13, 2016

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, 2016 and 2015 and the consolidated statements of income, comprehensive income, change in shareholder's 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, 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 audit. We conducted our audit 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 audit 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, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants[1]

PricewaterhouseCoopers, LLP

/ Signed /

Montreal, Quebec, Canada, April 13, 2016

1 CPA auditor, CA, public accountancy permit No. A110416

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 24)	**2,377**	7,946
Short-term investments (Note 5)	**—**	789
Accounts receivable (Note 6)	**23,146**	14,143
Holdbacks on contracts (Note 17)	**1,693**	4,309
Income tax assets	**—**	29
Work in progress (Note 17)	**7,521**	6,834
Inventories (Note 7)	**6,180**	5,769
Prepaid expenses and other current assets (Note 8)	**1,889**	1,679
Total current assets	**42,806**	41,498
Non-current assets		
Property, plant and equipment (Note 9)	**91,067**	83,000
Intangible assets (Note 10)	**2,871**	2,781
Other non-current assets (Note 11)	**3,337**	3,969
Deferred income tax assets (Note 22)	**6,390**	6,567
Total assets	**146,471**	137,815
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities (Note 13)	**17,772**	15,971
Income tax liability	**49**	—
Deferred revenues (Note 17)	**2,753**	4,173
Derivative financial instruments (Note 29)	**403**	1,115
Current portion of long-term debt (Note 14)	**868**	763
Total current liabilities	**21,845**	22,022
Non-current liabilities		
Long-term debt (Note 14)	**14,351**	9,374
Deferred income tax liabilities (Note 22)	**2,742**	2,461
Total liabilities	**38,938**	33,857
SHAREHOLDERS' EQUITY		
Capital stock (Note 15)	**68,077**	69,185
Contributed surplus	**6,397**	6,433
Accumulated other comprehensive income (Note 16)	**9,507**	5,835
Retained income	**23,552**	22,505
Total shareholders' equity	**107,533**	103,958
Total liabilities and shareholders' equity	**146,471**	137,815

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Mr. Jean Paschini

/ Signed /

Director

Mr. Frank Di Tomaso, FCPA, FCA, IAS.A

/ Signed /

Director

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of Canadian dollars and in dollars per share)	**$**	$
Revenues (Note 17)	**98,089**	76,058
Cost of goods sold (Note 18)	**84,069**	68,791
Gross Margin	**14,020**	7,267
Selling and administrative expenses (Note 18)	**11,391**	9,854
Financial revenues	**(79)**	(151)
Financial expenses (Note 14)	**574**	399
Other gains (Note 21)	**(653)**	(58)
	11,233	10,044
Income before income tax expense (recovery)	**2,787**	(2,777)
Income tax expense (recovery) (Note 22)	**1,088**	(1,207)
Net income for the year	**1,699**	(1,570)
Earnings per share		
Basic per share (Note 23)	**0.05**	(0.05)
Diluted per share (Note 23)	**0.05**	(0.05)
Average number of outstanding shares (in thousands) (Note 23)	**32,597**	32,499
Average number of outstanding diluted shares (in thousands) (Note 23)	**32,807**	32,499

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
Net income for the year	**1,699**	(1,570)
Other comprehensive income (Note 16) [(a)] :		
Exchange differences on translation of foreign operations	**3,672**	4,273
Comprehensive income for the year	**5,371**	2,703

(a) Will subsequently be reclassified to net income.

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	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
	$	$	$	$	$
Balance, February 1, 2014	69,139	6,407	1,562	24,725	101,833
Net income for the year	—	—	—	(1,570)	(1,570)
Other comprehensive income	—	—	4,273	—	4,273
Comprehensive income for the year	—	—	4,273	(1,570)	2,703
Share-based compensation (Note 15)	—	41	—	—	41
Options exercised	46	(15)	—	—	31
Dividends (Note 15)	—	—	—	(650)	(650)
Balance, January 31, 2015	69,185	6,433	5,835	22,505	103,958

(In thousands of Canadian dollars)	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	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	—	—	**3,672**	—	**3,672**
Comprehensive income for the year	—	—	**3,672**	**1,699**	**5,371**
Share-based compensation (Note 15)	—	**44**	—	—	**44**
Redemption of subordinate voting shares (Note 15)	**(2,282)**	**364**	—	—	**(1,918)**
Options exercised	**1,174**	**(444)**	—	—	**730**
Dividends (Note 15)	—	—	—	**(652)**	**(652)**
Balance, January 31, 2016	**68,077**	**6,397**	**9,507**	**23,552**	**107,533**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
OPERATING ACTIVITIES		
Net income for the year	**1,699**	(1,570)
Non-cash items:		
Amortization of property, plant and equipment (Note 9)	**4,294**	3,874
Amortization of intangible assets (Note 10)	**321**	307
Gain on disposal of property, plant and equipment (Note 21)	**(618)**	—
Unrealized loss (gain) on derivative financial instruments	**(712)**	1,115
Non-cash exchange gain	**(709)**	(119)
Share-based compensation (Note 15)	**44**	41
Income tax expense (recovery)	**1,088**	(1,207)
Financial revenues	**(79)**	(151)
Financial expenses	**574**	399
Net income adjusted for non-cash items	**5,902**	2,689
Changes in non-cash working capital items (Note 24)	**(7,059)**	(1,273)
Income tax expense recovery	**—**	4
Cash flows from (used in) operating activities	**(1,157)**	1,420
INVESTING ACTIVITIES		
Disposal of short-term investments	**778**	—
Net acquisition of property, plant and equipment (Note 9)	**(8,591)**	(13,860)
Revenues from disposals of property, plant and equipment (Note 9)	**1,457**	—
Acquisition of intangible assets (Note 10)	**(411)**	(373)
Decrease (increase) in other non-current assets	**641**	(608)
Interest received	**96**	160
Cash flows from (used in) investing activities	**(6,030)**	(14,681)
FINANCING ACTIVITIES		
Issuance of long-term debt (Note 14)	**5,000**	5,516
Financing costs relating to the debt (Note 14)	**(107)**	—
Repayment of long-term debt	**(772)**	(1,857)
Redemption of subordinate voting shares (Note 15)	**(1,918)**	—
Issuance of subordinate voting shares (Note 15)	**730**	31
Dividends paid (Note 15)	**(652)**	(650)
Interest paid on the interest rate swap	**—**	(2)
Interest paid	**(552)**	(371)
Cash flows from (used in) financing activities	**1,729**	2,667
Impact of fluctuations in foreign exchange rate on cash flow	**(111)**	(135)
Net change in cash and cash equivalents during the fiscal year	**(5,569)**	(10,729)
Cash and cash equivalents, beginning of year (Note 24)	**7,946**	18,675
Cash and cash equivalents, end of year (Note 24)	**2,377**	7,946

Supplemental information on cash flows is provided in Note 24.

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

All tabular figures are in thousands of Canadian dollars (CA$) and in dollars per share, unless otherwise specified.

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 ; one in Canada and one in the United States, as well as a paint shop 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 13, 2016 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, 2016, and January 31, 2015 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	
			January 31, 2016	January 31, 2015
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%**	—(1)

(1) Incorporated in June 2015, and commissioned in November 2015.

b) **Foreign Currency Translation**

i. *Functional and Presentation 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 functional 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 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 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 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 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 or in shareholders' equity, in which case, the income tax is also recognized directly in other comprehensive income 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 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. When an available-for-sale financial asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income 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, short-term investments, 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 accounts payable and other current liabilities, as well as the long-term debt. 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, 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 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 functional 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. The gains or losses relating to the ineffective portion are directly recognized in the consolidated statement of income; 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 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 are recognized in the financial statements in the period in which they are approved by the Board of Directors.

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. Where such equity instruments are measured at fair value through other comprehensive income, 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 comprehensive income 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. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, 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.

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

The IASB published in May 2014, 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 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 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

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 has not yet quantified the effect of the published phases of these Standards nor does it intend, at this time, to early adopt these Standards until the mandatory effective date.

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, 2016, the carrying amount of work in progress in the amount of $7,521,000 ($6,834,000 as at January 31, 2015) 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, 2016, 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
SHORT-TERM INVESTMENTS

On January 31, 2016, the Corporation did not hold any short-term investment. As January 31, 2015 the Corporation had investments of $789,000 through guaranteed deposit certificates bearing a 3.66% interest rate.

NOTE 6
ACCOUNTS RECEIVABLE

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Contracts receivable (Note 29.2)	**23,146**	14,143

NOTE 7
INVENTORIES

As at January 31,	2016	2015
(In thousands of CA$)	**$**	$
Inventories	**6,714**	6,340
Inventories allowance	**(534)**	(571)
	6,180	5,769

During the fiscal year ended January 31, 2016, the amount of inventories recognized as cost of goods sold totalled $29,853,000 and $16,542,000 during the fiscal year ended January 31, 2015.

NOTE 8
PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at January 31,	2016	2015
(In thousands of CA$)	**$**	$
Related parties advances (1)	**—**	892
Prepaid expenses	**1,680**	400
Others	**209**	387
	1,889	1,679

(1) During the fiscal year ended January 31, 2015, the Corporation granted to two Executive Shareholders advances that bore interest at the prescribed rate by the tax authorities (1%). These advances were fully repaid during the fiscal year ending January 31, 2016. To that effect, immaterial interest income was included in the interest income in the Consolidated Statement of Income for the fiscal years ended January 31, 2016 and 2015.

NOTE 9
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, 2014					
Cost	6,276	57,457	31,633	7,118	102,484
Accumulated amortization	—	(14,348)	(13,841)	(5,819)	(34,008)
Net book value	6,276	43,109	17,792	1,299	68,476
Acquisitions (1)	(230)	10,183	2,574	524	13,051
Exchange difference	250	3,766	1,220	111	5,347
Amortization expenses	—	(1,538)	(2,082)	(254)	(3,874)
Balance at January 31, 2015	6,296	55,520	19,504	1,680	83,000
As at January 31, 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**

(1) During the fiscal year ended January 31, 2015, a $876,000 government grant decreased the acquisitions of property, plant and equipment (of which $230,000 for land, and $646,000 for improvement to land) reflecting the benefit stemming from below-market interest rate government loans (no amount during the fiscal year ended January 31, 2016) (see Note 14).

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

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Land	**1,746**	1,584
Building and improvement to land	**23,455**	21,369
Office furniture, rolling stock, and computer hardware	**57**	66
	25,258	23,019

For the fiscal year ended January 31, 2016, the amortization of property, plant and equipment totalled $4,294,000 ($3,874,000 for the fiscal year ended January 31, 2015) of which $3,532,000 is included in the cost of goods sold, and $762,000 is included in the selling and administrative expenses (respectively $3,225,000 and $649,000 for the fiscal year ended January 31, 2015).

The book value of the property, plant and equipment under construction and not amortized stood at $4,389,000 as at January 31, 2016 and $2,164,000 as at January 31, 2015. These amounts were mainly related to additions made to ADF's Terrebonne plant, and were distributed as follows:

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Buildings and improvement to lands	**4,040**	2,072
Equipment and overhead cranes	**349**	92
	4,389	2,164

NOTE 10
INTANGIBLE ASSETS

	In-house Software	**Software**	**Software Licences**	**Total**
(In thousands of CA$)	$	$	$	$
As at February 1, 2014				
Cost	5,903	2,663	186	8,752
Accumulated amortization	(3,398)	(2,561)	(80)	(6,039)
Net book value	2,505	102	106	2,713
Acquisitions	344	22	7	373
Exchange difference	—	1	1	2
Amortization expenses	(259)	(20)	(28)	(307)
Balance at January 31, 2015	2,590	105	86	2,781
As at January 31, 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**

As at January 31, 2016 and 2015, all intangible assets were subject to amortization.

For the fiscal year ended January 31, 2016, amortization of intangible assets totalled $321,000 ($307,000 for the fiscal year ended January 31, 2015) of which $143,000 is included in the cost of goods sold and $178,000 is included in the selling and administrative expenses (respectively $145,000 and $162,000 for the fiscal year ended January 31, 2015).

NOTE 11
OTHER NON-CURRENT ASSETS

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Investment tax credits	**3,112**	3,112
Equity investments	**157**	157
Other	**68**	700
	3,337	3,969

NOTE 12
CREDIT FACILITIES

a) Canadian Credit Facility

According to its credit agreement renewable annually, the Corporation has access to a credit facility of up to $10,000,000. This credit facility is not based on margination of the lending value, when the order backlog totals more than $50,000,000. However, if the order backlog is below $50,000,000, a monthly calculation based on contracts receivable and inventories, which may limit the amount of the credit facility, is applied. To this effect, as at January 31, 2016 and 2015, the available credit facility was $10,000,000. 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 25).

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, 2016.

b) US Revolving Credit

In November 2015, the Corporation entered into an agreement with a U.S. Bank for a US$500,000 revolving credit facility. This credit is renewable annually and may also be used for the issuance of letters of credit. The credit facility available as at January 31, 2016 was US$500,000.

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 25), as well as a letter of credit of US$3,400,000 (Note 25).

NOTE 13
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Accounts payable	**10,576**	8,035
Other current liabilities	**2,858**	3,723
Salaries and fringe benefits payable	**2,685**	2,031
Indirect taxes	**303**	207
Advances on contracts (Note 17)	**1,350**	1,975
	17,772	15,971

NOTE 14
LONG-TERM DEBT

As at January 31,	**2016**	2015
(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 25). (1)	**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 25) and by a US$3,400,000 letter of credit (Note 25). This loan denominated in U.S. dollars amounted to US$2,733,300 as at January 31, 2016 (US$3,020,300 as at January 31, 2015). (2)	**3,822**	3,839
Secured term loan by a second rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation (Note 25). This loan denominated in U.S. dollars amounted to US$768,400 as at January 31, 2016 (US$853,300 as at January 31, 2015). (3)	**1,076**	1,085
Obligations under a financial lease agreement (Note 25). This loan denominated in U.S. dollars amounted to US$3,843,900 as at January 31, 2016 (US$4,049,200 as at January 31, 2015). (4)	**5,382**	5,147
Other obligations under a financial lease agreement (5)	**44**	66
	15,219	10,137
Current portion	**868**	763
	14,351	9,374

(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 (Note 32); 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 $26,500, will be made on March 1st, 2018, followed by equal monthly installments of $24,500, 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, 2016, the balance of the financing cost was $105,000.

(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, 2016 and 2015.

(5) Obligation under the financial lease agreement obtained in November 2014, bearing an interest rate of 2.25 % and refundable by equal monthly instalments of $1,940, which begun in January 2015, and will end in December 2017.

During the fiscal year ended January 31, 2016, the Corporation respected all covenants of its long-term loans and bonding agreements (see Note 26).

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$)	$	$	$	$	$
2017	559	236	323	545	868
2018	559	221	338	555	893
2019	537	207	330	848	1,178
2020	537	192	345	890	1,235
2021	537	176	361	910	1,271
2022 thereafter	4,475	746	3,729	6,045	9,774
	7,204	1,778	5,426	9,793	15,219

During the fiscal years ended January 31, 2016 and 2015, financial expenses were as follows:

Fiscal Year Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Interest on long-term debt	**497**	329
Financial expenses	**49**	47
Others	**28**	23
	574	399

NOTE 15
CAPITAL STOCK

15.1 **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.

	Subordinate Voting Shares		**Multiple Voting Shares**		**Total**	
(In thousands of CA$ and in number of shares)	Number	$	Number	$	Number	$
As at February 1, 2014	18,148,235	53,138	14,343,107	16,001	32,491,342	69,139
Issued on exercise of stock options	42,800	46	—	—	42,800	46
As at January 31, 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**

15.2 **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.

15.3 **Dividends**

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.

During the fiscal year ended January 31, 2015, semi-annual dividends, each totaling $325,000 or $0.01 per share, representing $650,000, were recognized as distribution to its shareholders of record as at April 30, 2014 and September 30, 2014, of which $363,000 was for subordinate voting shares and $287,000 for multiple voting shares. These sums were paid on May 16, 2014 and October 15, 2014 respectively.

15.4 **Stock Option Plan**

At January 31, 2016, a total of 3 542 629 subordinate voting shares (3,542,629 as at January 31, 2015) were reserved for the Stock Option Plan, of which 1,401,029 as at January 31, 2016 (1,324,029 as at January 31, 2015), had not yet been granted.

The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vested at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, having an acquisition rate of 33% per year, commencing at these dates. All options have a 10-year life from the grant date.

As at January 31,	**2016**		2015	
	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	**1,426,064**	**1.51**	1,368,864	1.40
Issued	**—**	**—**	110,000	2.67
Exercised	**(887,400)**	**0.82**	(42,800)	0.71
Canceled	**(77,000)**	**2.34**	(10,000)	2.74
Outstanding, at the end	**461,664**	**2.68**	1,426,064	1.51
Exercisable, at the end	**349,664**	**2.81**	1,273,064	1.42

At January 31, 2016, 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**	**Weighted Average Exercise Price**	**Exercisable**	**Weighted Average Exercise Price**
$	Number	Year	$	Number	$
6.48	5,000	1.95	6.48	5,000	6.48
5.65	60,000	2.21	5.65	60,000	5.65
2.66	100,000	8.45	2.66	20,000	2.66
2.52	60,000	3.87	2.52	60,000	2.52
2.45	96,000	3.45	2.45	96,000	2.45
2.14	7,664	1.05	2.14	7,664	2.14
1.88	50,000	4.62	1.88	50,000	1.88
1.35	50,000	7.21	1.35	20,000	1.35
1.21	5,000	6.37	1.21	3,000	1.21
1.14	20,000	0.36	1.14	20,000	1.14
1.05	8,000	0.30	1.05	8,000	1.05
	461,664	**4.75**	**2.68**	**349,664**	**2.81**

A total expense of $44,000 for share-based compensation was recorded in the Consolidated Statement of Income for the fiscal year ended January 31, 2016, and a corresponding amount was recognized in contributed surplus ($41,000 for the fiscal year ended January 31, 2015).

No options were granted during the fiscal year ended January 31, 2016. The weighted average fair value of the options granted during the fiscal years ended January 31, 2015 was estimated at $2.39 at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions:

Fiscal Year Ended January 31,	2015
Options issued (in units)	110,000
Annual share dividend yield	0.75%
Stock price	$2.67
Expected volatility (1)	45.8%
Risk-free interest rate (2)	1.84%
Expected life (3)	6 years

(1) The expected volatility considers the historic volatility of the Corporation's share price.

(2) The risk-free interest rate used to determine the fair value at the issuance of the options is based on a yield curve for zero-coupon bonds from the Bank of Canada.

(3) The contractual expected life of the issued options is 10 years.

15.5 **Deferred Share Units Plan**

During the fiscal years ended January 31, 2016 and 2015, DSU compensation amounted to $48,000 and $55,000 respectively, each representing 19,319 units and 22,526 units, are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position.

Fiscal Years Ended January 31,	**2016**	2015
(In number of deferred share units)		
Outstanding at the beginning of year	**175,645**	153,119
Attributed	**19,319**	22,526
Exercised	**(73,618)**	—
Outstanding at the end of year	**121,346**	175,645

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, 2016, an upward re-evaluation in the amount of $113,000 was recorded as a compensation expense in the Consolidated Statement of Income, with the consideration recorded as an increase in accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

For the fiscal year ended January 31, 2015, this re-evaluation resulted in a decrease of $77,000 in compensation expense in the Consolidated Statement of Income and accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

NOTE 16
ACCUMULATED OTHER COMPREHENSIVE INCOME

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations		
Opening balance	**5,996**	1,741
Changes during the period	**3,672**	4,255
Closing balance	**9,668**	5,996
Hedging of foreign operations, net of related income taxes (1)		
Opening balance	**(300)**	(318)
Changes during the period	**—**	18
Closing balance	**(300)**	(300)
Change in value of available-for-sale financial assets		
Opening balance	**139**	139
Changes during the period	**—**	—
Closing balance	**139**	139

Allocated as follows:

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations, net of related edging activities, net of related income taxes (2)	**9,368**	5,696
Change in value of available-for-sale financial assets (3)	**139**	139
	9,507	5,835

(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 17

INFORMATION RELATED TO CONTRACTS

Revenues from construction contracts totalling $98,089,000 for the 12-month period ended January 31, 2016 ($76,058,000 for the 12-month period ended January 31, 2015) 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,	**2016**	2015
(In thousands of CA$)	**$**	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**193,905**	263,167
Less progress billings	**(189,137)**	(260,506)
	4,768	2,661

Recognized as follows:

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Amount owed by clients for work performed on contracts, recorded in work in progress	**7,521**	6,834
Amount owed to clients for work performed on contracts, recorded in deferred revenues	**(2,753)**	(4,173)
	4,768	2,661

Advances received from clients on contracts for work not yet realized have been recognized in accounts payable and other current liabilities (see Note 13). These advances totalled $1,350,000 as at January 31, 2016 ($1,975,000 as at January 31, 2015).

Holdbacks on contracts, amounting to $1,693,000 as at January 31, 2016, will be received at the time of the client's approval of the work performed ($4,309,000 as at January 31, 2015) and are included in current assets in the Consolidated Statement of Financial Position.

NOTE 18

CLASSIFICATION OF EXPENSES BY NATURE

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Raw material, consumables and subcontracting	**35,338**	40,551
Salaries and employees' benefit expenses (Note 19) (1)	**36,101**	20,817
Amortization expenses	**4,615**	4,181
Professional fees (1)	**2,242**	2,172
Drafting and engineering	**4,205**	2,007
Travelling expenses and representation	**1,932**	1,682
Transport	**3,893**	1,515
Management fees with related companies (Note 20)	**1,301**	1,288
Taxes and permits	**1,249**	1,063
Electricity and heating	**1,346**	967
Insurance	**1,065**	824
Office expenses	**498**	533
Maintenance and repairs	**1,030**	628
Other	**645**	417
	95,460	78,645

Distributed as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Cost of goods sold	**84,069**	68,791
Selling and administrative expenses	**11,391**	9,854
	95,460	78,645

(1) For the 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.

For the fiscal year ended January 31, 2015, salaries and employees' benefit expenses were reduced by an investment tax credits of $126,000 and by a government grant for job creation of $942,000, while an investment tax credits of $25,000 reduced professional fees.

Cost of goods sold is as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Cost of goods sold excluding amortization	**80,394**	65,421
Amortization of property, plant and equipment and intangible assets	**3,675**	3,370
	84,069	68,791

NOTE 19
SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits	**27,989**	16,571
Social security costs	**6,754**	3,107
Pension plan contributions	**1,314**	1,098
Share-based compensation	**44**	41
	36,101	20,817

NOTE 20
EXECUTIVE OFFICERS' COMPENSATION

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

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits	**1,611**	1,693
Social security costs	**244**	159
Management fees (1)	**1,301**	1,288
Pension plan contributions	**132**	122
Share-based compensation	**7**	14
Attendance fees	**399**	109
	3,694	3,385

(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.

NOTE 21
OTHER GAINS

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Foreign exchange gain	**(35)**	(58)
Gain on disposal of property, plant and equipment	**(618)**	—
	(653)	(58)

NOTE 22
INCOME TAX EXPENSE (RECOVERY)

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Current		
Tax expense in the current year	**64**	3
	64	3
Deferred		
Recognition and reversal of temporary differences	**1,036**	(1,122)
Temporary differences for which no deferred income tax asset has been recorded	**(12)**	(88)
	1,024	(1,210)
Income tax expense (recovery)	**1,088**	(1,207)

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

Fiscal Years Ended January 31,	**2016**		2015	
(In thousands of CA$ and in percentages)	**$**	**%**	$	%
Allowance using basic income tax rates	**750**	**26.9**	(747)	(26.9)
Increase (decrease) resulting from:				
Difference in rates for foreign subsidiaries	**286**	**10.2**	(412)	(14.8)
Non-deductible expenditures and non-deductible portion of capital losses	**64**	**2.3**	40	1.4
Temporary differences for which no deferred income tax asset has been recorded	**(12)**	**(0.4)**	(88)	(3.2)
Income tax expense (recovery)	**1,088**	**39.0**	(1,207)	(43.5)

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,	**2016**	2015
(In thousands of CA$)	**$**	$
Non-current deferred income tax assets (over 12 months)	**6,390**	6,567
Non-current deferred income tax liabilities (over 12 months)	**(2,742)**	(2,461)
Deferred income tax assets (net)	**3,648**	4,106

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

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Beginning of year	**4,106**	2,089
Amount recognized in the consolidated statement of income	**(1,024)**	1,210
Income tax recovery (expense) related to components of other comprehensive income	**—**	(3)
Exchange differences	**566**	810
End of year	**3,648**	4,106

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:

22.1 **Deferred Income Tax Assets**

	Tax Loss Carryovers	**SR&ED Expenses**	**Financial Expenses and Other Deferred Charges**	**Foreign Exchange Forward Contracts**	**Others**	**Total**
(In thousands of CA$)	$	$	$	$	$	$
As at February 1, 2014	3,184	2,376	1,630	—	100	7,290
Recognized in the Consolidated Statement of Income	1,930	(75)	(59)	300	23	2,119
Recognized in Other Comprehensive Income	—	—	—	—	(3)	(3)
Exchange differences	611	—	199	—	—	810
As at January 31, 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**

22.2 **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	Total
	$	$	$	$	$
As at February 1, 2014	1,756	956	812	1,677	5,201
Recognized in the Consolidated Statement of Income	494	233	25	157	909
As at January 31, 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**

Net deferred income tax assets of $6,390,000 were recognized in the Consolidated Statement of Financial Position as at January 31, 2016 ($6,567,000 as at January 31, 2015), 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 23

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,	**2016**	2015
Numerator (in thousands of CA$)		
Numerator applicable to basic and diluted earnings per share	**1,699**	(1,570)
Denominator (in thousands)		
Basic weighted average number of shares	**32,597**	32,499
Effect of dilutive instruments:		
— Stock options	**210**	—
Diluted weighted average number of shares	**32,807**	32,499

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, 2016, only 243,664 stock options were included in the computation of the diluted earnings per share since the other options were antidilutive. Given the negative net income recorded during the fiscal year ended January 31, 2015, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 24

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,	**2016**	2015
(In thousands of CA$)	**$**	$
Accounts receivable	**(8,008)**	(881)
Holdbacks on contracts	**2,636**	(682)
Work in progress	**(399)**	(683)
Inventories	**(309)**	(44)
Prepaid expenses and other current assets	**(139)**	(475)
Accounts payable and other current liabilities	**651**	1,508
Deferred revenues	**(1,491)**	(16)
Changes in non-cash working capital items	**(7,059)**	(1,273)

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents consisted of $2,377,000 and $7,946,000 in cash at January 31, 2016 and 2015, respectively.

NOTE 25
COMMITMENTS AND GUARANTEES

25.1 Commitments

a) **Letters of Credit**

During the fiscal year ended January 31, 2016, the Corporation held letters of credit, the balance of which stood at $5,389,000 at that date and $4,797,000 on January 31, 2015.

b) **Operating Leases**

As at January 31, 2016, the Corporation was committed under operating leases for car rentals, office equipment and information technology equipment. These commitments amounted to $637,000, for which minimum annual payments due during the next five fiscal years are as follows: $248,000 in 2017, $176,000 in 2018, $114,000 in 2019 and $76,000 in 2020 and $23,000 in 2021 and thereafter. Lease payments totalled $339,000 for the fiscal year ended January 31, 2016 ($278,000 for the fiscal year ended January 31, 2015).

c) **Other Commitments**

The commitments for the purchase of property, plant and equipment totalled $2,300,000 as at January 31, 2016 and $713,000 (US$561,000) as at January 31, 2015, and will be realized during the fiscal year ending January 31, 2017.

25.2 Guarantees

Certain property, plant and equipment having a carrying value of $10,985,000 as at January 31, 2016 and $5,752,000 as at January 31, 2015, are pledged as collateral for the long-term debt (see Note 14).

The net book value of assets held by the Corporation under the lease financing contracts (see Note 14) amounted to $25,258,000 as at January 31, 2016 ($23,019,000 as at January 31, 2015).

The contracts receivable with a carrying value of $ 23,146,000 as at January 31, 2016 ($14,143,000 as at January 31, 2015), and inventories with a carrying value of $6,180,000 ($5,769,000 as at January 31, 2015) are pledged as collateral for the credit facility (see Note 12).

NOTE 26
CONTINGENCIES

26.1 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, 2016 stood at $48,149,000.

26.2 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, 2016 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.

26.3 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 27
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 $665,000 in the fiscal year ended January 31, 2016 ($550,000 in 2015).

NOTE 28
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, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity" ratio. This ratio measures the level of cash, cash equivalents and short-term investments, net of 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,	**2016**	2015
Total cash, cash equivalents and short-term investments, net of current portion and long-term debt (In thousands of CA$)	**(12,842)**	(1,402)
Shareholders' equity (In thousands of CA$)	**107,533**	103,958
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity ratio	**(0.12):1**	(0.01):1

The Corporation's goal is to maintain a positive ratio. However, as it was the case for the fiscal years ended January 31, 2016 and 2015 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 29
FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to (paragraph 29.1) market risks, (paragraph 29.2) credit and credit concentration risks, and (paragraph 29.3) liquidity risks.

29.1 **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, 2016, 58% of the Corporation's revenues were recorded in U.S. dollars (21% during the fiscal year ended January 31, 2015). 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, 2016, 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, 2016			
	In thousands of $US (1)	In thousands $CA (1)	Average rate	Expiration date
Foreign exchange forward contracts	**2,625**	**3,690**	**1.4059**	**February 05, 2016**
	2,000	**2,632**	**1.3162**	**July 29, 2016**
	2,000	**2,631**	**1.3156**	**October 31, 2016**
	1,000	**1,315**	**1.3146**	**January 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,	**2016**	2015
(In thousands of CA$)	**$**	$
Current liabilities relating to derivative financial instruments:		
Foreign exchange forward contracts	**403**	885
Foreign currency options	**—**	230
	403	1,115

Based on the balance, as at January 31, 2016, 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 $86,000 variation in net income before tax ($469,000 in 2015) and $464,000 variation in comprehensive income before tax ($633,000 in 2015).

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 facility and a portion of its long-term debt, where applicable (see Notes 12 and 14). 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, 2015 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 facility, included a reasonable combination of fixed and floating interest rates.

29.2 **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, short-term investments, when applicable, accounts receivable and holdbacks on contracts.

Cash equivalents, as well as short-term investments, are mainly risk-free or low risk investments, such as term deposits, bonds or mutual funds. None of the cash equivalents or short-term investments consists of asset-backed commercial paper. Where this is the case, the Corporation deposit its cash equivalents and short-term investments 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, three (3) clients accounted for 70% of the revenues generated 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 (47% of revenues were generated by two (2) clients during the fiscal year ended January 31, 2015, one (1) of whom was part of the concentration of the Corporation's revenues during the fiscal year ended January 31, 2014).

As at January 31, 2016, 61% of contracts receivable was concentrated with one (1) client (63% of contracts receivable attributable to three (3) clients as at January 31, 2015). 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, 2016, 6.5% of contracts receivable, representing $1,501,000 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, 2016.

As at January 31, 2015, 8.3% or $1,168,000 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, 2015.

29.3 **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, 2016, the maturity analysis of financial liabilities was as follows:

	Less than 1 year	**From 1 to 3 years**	**From 4 to 5 years**	**More than 5 years**	**Total**
(In thousands of CA$)	$	$	$	$	$
Accounts payable and other current liabilities	17,772	—	—	—	17,772
Long-term debt (1)	1,478	3,172	3,420	11,832	19,902
Derivative financial instruments	403	—	—	—	403
	19,653	3,172	3,420	11,832	38,077

(1) Includes interest on long term-debt.

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

NOTE 30
FINANCIAL INSTRUMENTS

30.1 **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. 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, 2016 and 2015:

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Loans and receivables		
Cash and cash equivalents	**2,377**	7,946
Short-term investments	**—**	789
Accounts receivable	**23,146**	14,143
Holdbacks on contracts	**1,693**	4,309
Other current assets	**33**	955
	27,249	28,142
Assets available-for-sale		
Equity investments	**157**	157
	157	157
Liabilities amortized at cost		
Accounts payable and other current liabilities	**17,772**	15,971
Long-term debt	**15,219**	10,137
	32,991	26,108
Financial liabilities at fair value through net income		
Derivative financial instruments	**403**	1,115
	403	1,115

As at January 31, 2016 and 2015, given the upcoming maturity dates of cash and cash equivalents, short-term investments, accounts receivable, other current assets, holdbacks on contracts, accounts payable and other current liabilities, their fair value was equal to their book value.

As at January 31, 2016 and 2015, 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, 2016 and 2015 was equal to their fair value since they are classified as financial 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, 2016 and 2015, 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.

30.2 **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 31
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,	**2016**	2015
(In thousands of CA$)	**$**	$
Revenues		
Canada	**22,368**	59,879
United States	**75,721**	16,179
	98,089	76,058

As at January 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**47,480**	45,218
United States	**49,795**	44,532
	97,275	89,750

(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, 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.

During the fiscal year ended January 31, 2015, 47% of the revenues were realized with two (2) clients for amounts of $27,526,000 and $8,313,000 respectively, all generated in Canada, and therefore each client accounted for more than 10% of the Corporation's revenues, one (1) of whom was part of the Corporation's revenues concentration during the fiscal year ended January 31, 2014.

NOTE 32
SUBSEQUENT EVENTS

32.1 **Dividends**

On April 13, 2016, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 16, 2016 to shareholders of record as at April 29, 2016.

32.2 **Long-Term Debt**

On February 22, 2016, the Corporation draw the second $5,000,000 tranche from a new loan it contracted during the third quarter ended October 31, 2015 (see Note 14). This new tranche will increase the monthly capital payment by $26,500 due on March 1st, 2018, as well as the equal monthly capital payments of $24,500 from April 1, 2018 to February 1st, 2035, which is the loan's due date.

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