ANNUAL REPORT

Fiscal Year Ended on **January 31, 2021**

Listed company since 1999

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Toronto Stock Exchange : TSX : **DRX**

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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 Management's Discussion and Analysis of the Financial Position and Operating Results for the fiscal year ended January 31, 2021.

Terrebonne, April 7, 2021

To Our Shareholders,

The fiscal year ended January 31, 2021, results show that we have achieved the key strategic objectives we have set out for the year: Pursue the growth of our order backlog, deliver net profits and generate liquidities from our operations.

There were certainly many and greater challenges toward achieving our objectives, in an absolutely historical context.

At the forefront, there are our employees, who are essential to ADF's success. They have shown great teamwork and have done an extraordinary job, which is made all the more difficult because of the health and physical distancing measures adopted to curb the spread of the COVID-19 virus.

All of the measures we have in place across our administrative offices, fabrication plants, paint shops and construction sites in Canada and the United States, to ensure the safety and well-being of our employees and their families, are still closely monitored and will continue to be for as long as it takes. We are closely monitoring the evolution of this pandemic and continue to manage its potential impacts on a daily basis.

That said, additional costs and operational inefficiencies were unavoidable due to the coronavirus pandemic. But despite that, the great work that our teams accomplish on a daily basis, the collective competencies of our employees, the resilience and adaptability we demonstrate to overcome problems and meet challenges, have allowed us to maintain our operations without interruption during this difficult period, to announce contracts totaling $268 million that are included in our order backlog totaling $436 million as at January 31, 2021, to improve our cash position by $26.9 million from the same date last year, and to end fiscal 2021 on a positive note with a net income of $6.9 million.

The growth of the order backlog remains one of our priorities, and we are making every effort to achieve the intended results. That is why we are confident that we can maintain the backlog's current level and even improve it. There is a strong pipeline of potential projects in our markets, both in Canada and the United States, and the number of projects on which we are competing for, that are at different stages of the bidding process, many of which are in the negotiation stage, remains high.

The markets in which we compete are as dynamic as ever, with an increasing number of domestic and international competitors, and we also observe a consolidation movement in our North American markets. This has the effect of putting continued downward pressure on prices across our market sectors and geographic markets in North America, and impacting profit margins in coming quarters.

To ensure that we compete effectively in this context and take advantage of the best business opportunities coming our way, it is essential that we uphold our production facilities at a high level and continually adjust our operations and processes to ensure that we have an optimal level of productivity.

It is in the current economic context and forward-looking perspective that we have therefore established, during the fiscal year ended January 31, 2021, the guidelines that will direct the actions we will take and the initiatives we will put in place as early as fiscal 2022, and which will be catalysts for our continued growth and profitability over the next decade.

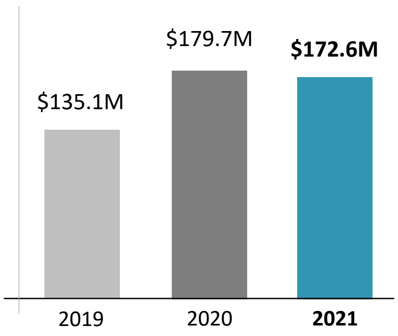
Our five-year plan covering fiscal years 2022 to 2026, is based on 10 strategic and promising areas of focus, including, amongst others, investments in our production facilities, which are essential to the attainment of our objectives and priorities, and to ensure ADF Group's long-term sustainability.

We are starting fiscal year 2022 with confidence and on a sound basis.

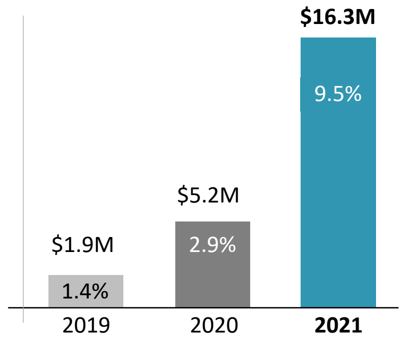
In closing, we take this opportunity to thank all of our business partners, board members and shareholders for their trust and support.

Co-Chairman of the Board of Directors and Chief Executive Officer	**President and Chief Operating Officer**	**Executive Vice-President, Corporate Secretary and Treasurer**
/ Signed /	/ Signed /	/ Signed /
Jean Paschini	Pierre Paschini, P.Eng.	Marise Paschini

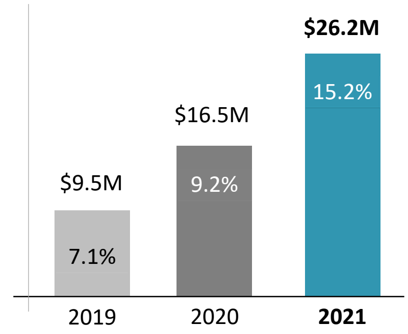
REVENUES
(In million $)



EBITDA (2)
(In million $ and as a % of revenues)



GROSS MARGIN
(in million $ and as a % of revenues)



Fiscal Years Ended January 31,	**2021**	2020	2019 (4)	2018 (4)	2017 (4)
(In thousands of dollars)	**$**	$	$	$	$
OPERATING RESULTS					
Revenues	**172,593**	179,710	135,073	180,474	102,846
Earnings before interest, taxes, depreciation and amortization (EBITDA) (1) (2)	**16,341**	5,225	1,945	8,436	8,462
Income (loss) before income taxes expense (recovery)	**9,019**	(1,986)	(2,393)	2,172	2,513
Net income (loss)	**6,867**	(2,132)	(374)	(7,213)	1,499
FINANCIAL POSITION					
Total assets	**189,951**	173,544	163,212	175,258	158,684
Shareholders' equity	**99,565**	94,407	96,895	95,782	105,650
Total debt, net of liquidities (2)	**7,775**	36,181	29,652	35,353	31,716
Working capital (2)	**38,548**	29,313	31,848	34,768	24,769
OTHER CONSOLIDATED FINANCIAL DATA					
Liquidities (3)	**17,806**	3,983	4,164	2,998	334
Cash flows from operating activities	**28,842**	(894)	11,675	3,662	(10,635)
Net acquisition of property, plant and equipment	**1,460**	360	3,063	4,831	6,809
RATIOS					
Working capital (2)	**1.62:1**	1.58:1	1.85:1	1.74:1	1.77:1
Long-term debt to shareholders' equity (2)	**0.26:1**	0.43:1	0.35:1	0.40:1	0.30:1
PER SHARE INFORMATION (*In dollars per share*)					
Basic earnings per share	**0.21**	(0.07)	(0.01)	(0.22)	0.05
Book value per share (2)	**3.05**	2.89	2.97	2.93	3.24

(1) Excluding foreign exchange variations.

(2) EBITDA, total debt, net of liquidities, working capital, the book value per share as well as the working capital and the long-term debt to shareholders' equity ratios, 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 "Non-GAAP Measures" of the MD&A Report for the fiscal year ended January 31, 2021 for the definition of these metrics and reconciliation to the most comparable IRFS measures).

(3) Including cash, cash equivalents, net of the bank overdraft, when applicable.

(4) The Corporation adopted IFRS 16 Leases on February 1st, 2019, using the amended retrospective method that does not require the restatement of financial statements from prior fiscal years. As a result, the comparative data prior to February 1, 2019, in this table have not been adjusted.

Table of Contents of the MD&A Report

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 February 1, 2020 and January 31, 2021. It also compares the operating results and cash flows for the fiscal year ended January 31, 2021 to those of the previous year. This MD&A covers all major events that occurred during the 2021 fiscal year and between February 1, 2021 and April 7, 2021.

This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2021. 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 audited consolidated financial statements for the fiscal year ended January 31, 2021.

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 24 "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. GENERAL 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 nonresidential construction industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and transport infrastructure. 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) dual-purpose building, adjacent to the fabrication plant, housing a 2,323-square-meter (25,000 square feet) paint and blast zone, and a 2,137-square-meter (23,000 square feet) area for preparation and detailing work.

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 nonresidential 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 nonresidential 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 nonresidential 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.

Now that the fiscal year ended January 31, 2021, is behind us, we can draw the following conclusions: Despite the uncertainty surrounding the pandemic, the markets served by our Corporation have maintained a more than adequate growth rate, allowing us to win several contracts.

This being so, future trends in these same markets are generally positive. The impact of COVID-19 still places a fair amount of uncertainty on our analysis, given the fact that there are still uncertain risks associated with the different variants and the pace at which the vaccine is being deployed, but generally excluding these factors, the pipeline of new projects should be promising.

The new U.S. administration has announced plans for investments worth around US$1.9 trillion, including infrastructure projects, while New York State has announced investments worth a record US$306 billion.

On the Canadian side, and for the first time in its history, the total of the 100 largest public infrastructure projects, exceeded 250 billion Canadian dollars.

All of these investments will have a domino effect on private investments, which, combined with low interest rates, are expected to generate business opportunities for our Corporation. In light of these observations, we are relatively confident that we will be able to continue to grow our backlog (see Section 8 "COVID-19").

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

6.1 Renewal of the Credit Facility

On February 28, 2020, the Corporation has secured an increase in its Canadian credit facility, bringing it from $20.0 million to $30.0 million. The other terms and conditions remain unchanged. On September 28, 2020, this credit facility was extended, without amendment. This increase will allow the Corporation to support the sustained growth of its order backlog.

6.2 New Contracts

— On March 23, 2020, the Corporation announced the award of two new contracts in North America worth a total of $65.0 million, one as part of the construction of a new industrial building in the transportation sector in Quebec, and the other consists in the construction of a new commercial building in California. In both cases, ADF was entrusted with the design and engineering of connections, the fabrication, including the procurement of raw material (steel) and industrial coating, as well as the installation of these new structures. These new contracts will be carried out at both of ADF's fabrication plants, one in Terrebonne, Quebec and the other in Great Falls, Montana. Fabrication work on both new projects has started in July 2020, and should extend over a 12-month period.

— On November 25, 2020, the Corporation announced the award of two new contracts in the commercial building sector in the U.S.A., worth a total of $101.0 million. The scope of the largest of these contracts, in terms of value and tonnage, relates to the design and engineering of connections, fabrication, which also includes industrial coating and the supply of raw material (steel), and the installation of the steel structure of a new building with a commercial vocation in the Northwestern U.S.A. Fabrication is expected to start in the first months of 2021 at ADF's plant located in Terrebonne, Quebec, and will run until the third quarter of the year 2021.

  The other contract, is located in the Northeastern U.S.A. and consists in, among other things, the supply of raw material (steel) and shop drawings, and the fabrication of the steel structure used in the construction of a new government building. Fabrication is expected to begin later in 2021 and will run until mid-2022.

— On January 25, 2021, the Corporation announces the award of new contracts in the commercial building and transportation infrastructure sectors in the USA and in Canada, worth a total of $102 million. The scope of the largest of these contracts, in terms of value and tonnage, covers all services included in ADF's global offer, which consist in the design and engineering of connections, fabrication including industrial coating, the production of shop drawings, steel procurement, and the installation of the new steel structure of a large commercial building in Southeastern U.S.A. This project is characterized by a fast-track construction schedule. Fabrication is expected to start in the first months of 2021 at ADF's plant located in Terrebonne, Quebec.

The other major contracts won by ADF, in the transportation infrastructure sector in the Western USA and in the commercial building sector in Eastern Canada, also subject to accelerated schedules, include all services comprised in ADF's overall offering.

All of these contracts are scheduled to begin in the coming months, and will run until the end of the year 2021. Both ADF's fabrication plants and paint shops, in Terrebonne, Quebec, and in Great Falls in the state of Montana, will be involved in the carrying out these new projects.

6.3 Dividends

— On April 8, 2020, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, which was paid on May 15, 2020 to shareholders of record as at April 30, 2020.

— On September 9, 2020, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, paid on October 16, 2020 to shareholders of record as at September 30, 2020.

6.4 New Loans

On May 5, 2020, the Corporation obtained two new loans from a U.S. bank, totalling $5.7 million (US$4.0 million). These loans are guaranteed by the *U.S. Small Business Administration* ("SBA") and were issued to two U.S. subsidiaries of ADF under the *U.S. Care Act* in response to COVID-19. These loans should be reimbursed over an 18-month period starting in December 2020, or after, subject to the latest legislative changes to the program. In addition, if certain conditions are met, these loans may be partially or even fully forgiven. During the fourth quarter ended on January 31, 2021, the Corporation assessed that it met these terms and therefore recognized the forgiveness of a portion of the total debt, being US$3.0 million ($3.9 million).

6.5 U.S Revolving Credit

In November 2020, the Corporation renewed the agreement for its revolving credit agreement with a U.S. bank. This renewal brings the available limit to US$2.0 million from US$1.6 million as at January 31, 2020. The other terms and conditions remained unchanged.

7. SIGNIFICANT EVENT THAT OCCURRED SINCE JANUARY 31, 2021

Dividend

On April 7, 2021, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, which will be paid on May 17, 2021 to shareholders of record as at April 30, 2021.

8. COVID-19

Since March 2020, the COVID-19 pandemic has spread to North America. The markets served by ADF have, of course, not been spared by the many waves that continue to affect these same markets as of the date of this Report.

A number of Canadian provinces and U.S. states, including Quebec and Montana, have instituted confinement periods or have introduced certain restrictions to contain the spread of the virus, except for essential services. Since the beginning of this pandemic and at the time of this MD&A Report, all of ADF's facilities, including all of its job sites, remained open and operational.

However, in order for ADF's fabrication plant in Terrebonne, Quebec, to remain in operation, and in addition to the required sanitary and physical distancing measures, Management initially had to limit the number of employees per work shift. This limitation has allowed the Corporation to maintain a sufficient level of fabrication in order to serve its various customers, but has resulted in some operational limitations. In addition, some additional costs have also been incurred as a result of the various measures taken. At the date hereof, the number of employees per shift has virtually returned to the pre-pandemic level.

The Corporation has taken steps to care for its employees, including allowing them to work remotely and implementing strategies to support appropriate social distancing techniques for employees who cannot work remotely. The Corporation has also taken precautions with regard to the hygiene of employees, facilities and offices, as well as the implementation of significant travel restrictions. The Corporation is also evaluating its business continuity plans for all of its operational activities in the context of this pandemic. This situation is evolving rapidly and the Corporation will continue to monitor and mitigate developments affecting its staff, suppliers, customers and the general public as much as it can.

So, although for the moment the impact of COVID-19 on ADF's operations is limited, the extent to which the virus can have an impact on its results will depend on future developments, which are very uncertain and cannot be predicted at the time of this filing, including new information that may emerge regarding the severity of COVID-19 and the measures taken to contain it or address its impact, among others.

9. 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 currencies. 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, 2021, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and US dollars:

	Consolidated Statements of Income (loss) and Comprehensive Income (Loss)				Consolidated Statements of Financial Position	
	Quarterly		Cumulative			
(CA$/US$)	**2021**	2020	**2021**	2020	**2021**	2020
First quarter (April 30)	**1.3784**	1.3322	**1.3784**	1.3322	**1.3910**	1.3423
Second quarter (July 31)	**1.3664**	1.3282	**1.3723**	1.3302	**1.3404**	1.3148
Third quarter (October 31)	**1.3222**	1.3235	**1.3557**	1.3280	**1.3318**	1.3160
Fourth quarter (January 31)	**1.2866**	1.3163	**1.3388**	1.3251	**1.2780**	1.3233
Annual averages	**1.3388**	1.3251				

Although the Canadian dollar gain in value against the U.S. currency during the fourth quarter, it lost value against the U.S. currency on an annual average basis. Given the strengthening Canadian dollar in the fourth quarter, the closing rate for the fiscal year ended January 31, 2021, is 3.4% lower than a year earlier, which will have a downward impact on US-denominated assets and liabilities.

Even though the Corporation enters, from time to time and according to its internal policy, into foreign exchange contracts in order to cover the foreign exchange risk, these exchange rate variations have had a favorable impact of $0.5 million on the gross margin for the fiscal year ended January 31, 2021, and generated a foreign exchange loss of $0.7 million on the Consolidated Statement of Income (Loss) during the same period.

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:

Fiscal Years Ended January 31,	**2021**	2020
Working capital (in thousands of dollars)	**$38,548**	$29,313
Current ratio	**1.62:1**	1.58:1
Long-term debt and lease liabilities to shareholders' equity ratio (1)	**0.26:1**	0.43:1
Total debt, net of liquidities (in thousands of dollars) (1)	**$7,775**	$36,181
Total credit facilities and long-term debt including lease liabilities, net of cash and cash equivalents, to shareholders' equity ratio (1)	**0.08:1**	0.38:1
Liabilities to shareholders' equity ratio	**0.91:1**	0.84:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$16,341**	$5,225
EBITDA margin (as a percentage of revenues)	**9.5%**	2.9%
Book value per share (in dollars)	**$3.05**	$2.89
Return on shareholders' equity	**6.9%**	(2.3)%

(1) Includes current and non-current portions of the long-term debt and lease liabilities.

10.1 Working Capital

The working capital indicator is used by the Corporation to assess whether current assets are sufficient to meet current liabilities. 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 2.0:1. Although this ratio was below this goal as at January 31, 2021 and 2020, 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. However, the Corporation also recognizes that the growth of its order backlog adds some pressure on working capital, thus explaining the level of this ratio in relation to the Corporation's long-term objective. 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 and development projects that might materialize.

10.2 Long-Term Debt and Lease Liabilities to Shareholders' Equity Ratio

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 and lease liabilities, including the current portion and credit facilities, 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 US dollar in relation to the Canadian dollar since a portion of the long-term debt and lease liabilities are denominated in US 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.

The long-term debt and lease liabilities to shareholders' equity ratio and the total indebtedness, net of liquidities improved during the fiscal year ended January 31, 2021, given the improvement in liquidities and the reimbursement of the credit facility.

10.3 Total Debt, Net of Liquidities

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

As at January 31,	**2021**	2020
(In thousands of dollars)	**$**	$
Cash and cash equivalents	**(17,806)**	(3,983)
Credit facilities	**—**	13,105
Current portion of lease liabilities	**1,143**	1,070
Current portion of long-term debt	**1,904**	1,903
Long-term debt	**18,368**	19,156
Lease liabilities	**4,166**	4,930
Total debt, net of liquidities	**7,775**	36,181

10.4 Total Credit Facilities and Long-Term Debt Including Lease Liabilities, Net of Cash and Cash Equivalents, to Shareholders' Equity Ratio

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

10.5 Liabilities to Shareholders' Equity Ratio

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

In the short-term, Management's goal is to maintain this ratio at an adequate level through, among other things, monthly repayments of the long-term debt, including lease liabilities, 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 issuance of new long-term debts and lease liabilities, and
— The impact of fluctuations in the Canadian dollar in relation to the US dollar on US-denominated liabilities.

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;
— Foreign exchange losses, and
— Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets.

Net income (loss) is reconciled with EBITDA in the table below:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of dollars)	**$**	$
Net income (loss)	**6,867**	(2,132)
Income tax expense	**2,152**	146
Net financial expenses	**1,663**	2,082
Amortization	**4,915**	4,723
Foreign exchange loss	**744**	406
EBITDA	**16,341**	5,225
— As a % of revenues	**9.5%**	2.9%

EBITDA for the fiscal years ended January 31, 2021 and 2020, includes the impacts from the following items: the fiscal year ended January 31, 2020 was impacted by an out of court settlement of a commercial litigation in Florida, United States. This settlement ended a dispute between ADF and one of its customers relating to a structural steel fabrication and steel erecting project in Florida, United States. Following the settlement, ADF collected a total amount of $13.9 million (US$10.5 million). However, this settlement generated a pre-tax loss of $7.7 million (US$5.8 million) which had been recognized in the results for the quarter ended October 31, 2019, and which had therefore reduced EBITDA by the same amount.

For the fiscal year ended January 31, 2021, the Corporation benefited from grants related to COVID-19 from the Canadian and US governments. The total amount included in the results, and thus having mainly improved the gross margin, and to a lesser extent the selling and administrative expenses, and therefore the EBITDA, totalled $6.3 million. This amount does not, however, take into account the direct costs incurred by the Corporation in order to put in place the health and physical distancing measures required by the local government authorities, nor does it take into account the operational efficiency losses due to these same measures.

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 period. The book value is equal to shareholders' equity divided by the total number of shares outstanding.

The book value per share went from $2.89 on January 31, 2020, to $3.05 on January 31, 2021, representing a 5.5% increase, which is mainly explained by the net income recorded during the fiscal year ended January 31, 2021.

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 (loss) over shareholders' equity.

Based on net income recorded during the fiscal year ended January 31, 2021, return on shareholders' equity was 6.9% compared to a return of - 2.3% for the fiscal year ended January 31, 2020.

11. PERFORMANCE INDICATORS ("KPI")

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

— Profitability;
— Liquidities;
— Growth and competitive positioning, and
— 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 including lease liabilities to shareholders' equity ratio
	Production capacity utilization			Total net debt including lease liabilities 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.

12. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	**2021**	2020	2019 (1)
(In thousands of dollars and in dollars per share)	**$**	$	$
Revenues	**172,593**	179,710	135,073
Net income (loss)	**6,867**	(2,132)	(374)
— Basic and diluted per share	**0.21**	(0.07)	(0.01)
Total assets	**189,951**	173,544	163,212
Non-current liabilities	**28,338**	28,488	29,057
Annual dividend per share	**0.02**	0.02	0.02

(1) The Corporation adopted IFRS 16 Leases on February 1, 2019, using the modified retrospective method, for which no restatement of the prior fiscal years financial statement presentation was required. The comparative figures for the fiscal year ended January 31, 2019, have therefore not been restated.

Revenues for the fiscal year ended January 31, 2021, totalled $172.6 million, down $7.1 million from the previous year. This decrease is mainly due to the production schedule, while the recently signed projects have not yet been put into production. In addition, and as a reminder, the fiscal year ended January 31, 2019, was largely impacted by the uncertainty surrounding the tariffs on steel and aluminum, which resulted in the loss of three contracts for ADF.

Net income (loss) increased by $9.0 million during the fiscal year ended January 31, 2021, over the 2020 fiscal year. First, the fiscal year ended January 31, 2020, was impacted by the out of court settlement regarding a commercial dispute in Florida, U.S.A. This settlement ended a legal dispute opposing ADF to one of its clients with regard to a structural steel fabrication and steel erecting contract in Florida, U.S.A. Pursuant to this out of court settlement, ADF collected the sum of $13.9 million (US$10.5 million). This settlement has however decreased revenues and generated a pre-tax loss of $7.7 million (US$5.8 million) which was recognized in the results for the quarter ending October 31, 2019, given the write-off of an equivalent amount under the Corporation's "Contract Assets" financial statement heading.

Secondly, the results for the fiscal year ended January 31, 2021, were impacted by subsidies related to COVID-19, totalling $6.3 million from which direct and indirect costs related the implementation of the required sanitary and physical distancing measures need to be deducted.

Total assets increased by $16.4 million, which mainly stems from the increase in net liquidities and accounts receivable, in line with the increase in the activity level.

13. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2021

During the 12 months of operations between February 1, 2020 and January 31, 2021, 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, in Canada and the United States.

13.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**172,593**	179,710	(7,117)	(4.0)
Cost of goods sold	**146,388**	163,203	(16,815)	(10.3)
Gross margin	**26,205**	16,507	9,698	58.8
— As a % of revenues	**15.2%**	9.2%		6.0

a) **Revenues**

Revenues during the fiscal year ended January 31, 2021, totalled $172.6 million, down by $7.1 million compared with the fiscal year ended January 31, 2020.

Revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the fiscal year.

The decrease in revenues is mostly explained by the fabrication schedule, with recently signed projects not yet having reached the fabrication phase. As previously explained, and had it not been for the write-off resulting from the out of court settlement above-mentioned, fiscal 2020 revenues would have totalled $187.4 million.

The change in the foreign exchange rate during the 2021 fiscal year has in turn increased the level of revenues by $2.4 million.

In terms of economic dependency, 66% of the Corporation's revenues during the fiscal year ended January 31, 2021, were realized with three (3) clients, for respective amounts of $63.6 million and $28.1 million from the United States, and $21.5 million from Canada, and who each accounted for 10% or more of the Corporation's revenues.

During the fiscal year ended January 31, 2020, 72% of the Corporation's revenues, were realized with four (4) clients (two (2) of whom were part of the revenues concentration for the fiscal year ended January 31, 2019), for respective amounts of $43.4 million, $32.8 million, $31.9 million and $20.5 million, all from the United States, and 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 $9.7 million during the 2021 fiscal year over the 2020 fiscal year. As a percentage of revenues, the gross margin went from 9.2% during the fiscal year ended January 31, 2020, to 15.2% during the fiscal year ended January 31, 2021.

This increase, as a percentage of revenues, was due to better overall prices on projects completed during the fiscal year, but also by the recognition of COVID-19 pandemic-related grants during the fourth quarter ended January 31, 2021.

First, the Corporation benefited from the Canada Emergency Wage Subsidy ("CEWS") program for a total amount of $1.9 million. The Corporation had also received US$4.0 million in loans during the fiscal year ended January 31, 2021, from the U.S. *Payroll Protection Program* (PPP). These loans, which are subject to certain terms and conditions, could be forgiven in whole or in part. During the fourth quarter ended

January 31, 2021, the Corporation assessed that it met these terms, and therefore recognized the forgiveness of a portion of the total debt, or US$2.8 million, thus improving the gross margin by $3.6 million in Canadian dollar.

As described in Section 20 "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, 2021, were comprised of 32% of fabrication hours, which also includes industrial coating, which is the 2% below than during the fiscal year ended January 31, 2020.

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 US dollars mitigates the impact of exchange rate fluctuations.

13.2 Selling and Administrative Expenses

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**14,779**	16,005	(1,226)	(7.7)
— As a % of revenues	**8.6%**	8.9%		(0.3)

Selling and administrative expenses amounted to $14.8 million, which is $1.2 million less than during the 2020 fiscal year. This variation results from a decrease in expenses related to professional fees, which were particularly affected during the fiscal year ended January 31, 2020, by the legal fees related to the out of court litigation settlement previously mentioned.

13.3 Amortization

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses. 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,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**4,915**	4,723	192	4.1
— As a % of revenues	**2.8%**	2.6%		0.2

The amortization expense for the 2021 fiscal year amounted to $4.9 million, which was $0.2 million higher than that of the 2020 fiscal year, which is in line with the moderate level of investment in property, plant and equipment during the fiscal year.

The amortization expenses breakdown is as follows:

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**3,713**	3,586	127	3.5
Amortization expense included in selling and administrative expenses	**1,202**	1,137	65	5.7
Total amortization	**4,915**	4,723	192	4.1

13.4 Net Financial Expenses

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**1,663**	2,082	(419)	(20.1)
— As a % of revenues	**1.0%**	1.2%		(0.2)

The decrease in net financial expenses relates to the variation in the average balance of the Corporation outstanding debts, including the reduction in the use of credit facilities (see Section 15 "Cash Flows and Financial Position" hereinafter).

13.5 Foreign Exchange Loss

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss	**744**	406	338	83.3
— As a % of revenues	**0.4%**	0.2%		0.2

The foreign exchange loss recorded during the fiscal year ended January 31, 2021, includes a $1.7 million foreign exchange loss on ongoing operations and a $0.9 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives. During the 2021 fiscal year, a $1.1 million foreign exchange loss on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The foreign exchange loss recorded during the fiscal year ended January 31, 2020, includes a $0.2 million foreign exchange loss on ongoing operations and a $0.2 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2020 fiscal year, a $0.3 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The Corporation is exposed to exchange rate fluctuations between the Canadian and US dollars, since a significant portion of its revenues is generally recorded in US dollars. For the fiscal year ended January 31, 2021, 81% of the Corporation's revenues were recorded in US dollars (92% during the fiscal year ended January 31, 2020). Considering the improvement in U.S. markets and its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in US dollars will continue to be significant during the fiscal year 2022.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts. As at January 31, 2021, the Corporation was party to foreign exchange forward contracts for the sale of US$24.1 million (US$50.6 million as at January 31, 2020) with maturities varying between three (3) months to nine (9) months with rates between 1.2763 and 1.3412 (between 1.3005 and 1.3415 as at January 31, 2020).

Based on the balance as at January 31, 2021, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and US dollars (all other variables remaining constant), would have had an impact of $0.6 million on net income (loss) before tax (an immaterial impact for the fiscal year ended January 31, 2020).

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 fiscal year.

13.6 Income Tax Expense

Fiscal Years Ended January 31,	**2021**	2020	Changes 2021/2020	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense	**2,152**	146	2,006	Pos.
— As a % of revenues	**1.2%**	0.1 %		1.1

The effective tax rates for the fiscal year ended January 31, 2021, stood at 23.9%, compared with the Corporation's Canadian effective rate, which is 26.5%.

The income tax expense during the periods analyzed was impacted by the revenue mix, either positive or negative, of the Canadian parent company and its different U.S. subsidiaries, including, for the fiscal year ended January 31, 2020, a loss before income tax resulting from the out of court settlement previously mentioned herein.

The Corporation deems it prudent not to recognized these new differed tax assets related to its U.S. operations, and that as from the write-off of differed tax assets during the fourth quarter ended January 31, 2018, which also resulted from tax losses from U.S. subsidiaries. As a result, the Corporation recognizes these assets progressively as its U.S. subsidiaries record profits, and in view of this position, the $7.7 million impact from the out of court settlement, was therefore tax-free.

As at January 31, 2021, the Corporation had operating tax losses estimated at $37.8 million available in the United States ($33.3 million as at January 31, 2020) for carry forwards, for which no deferred tax benefit has been recorded in the Consolidated Statement of Income (Loss). This will have a favorable 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.

13.7 Net Income (Loss), Basic and Diluted Earnings per Share

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of dollars and in dollars per share)	**$**	$
Total net income (loss)	**6,867**	(2,132)
— As a % of revenues	**4.0%**	1.2%
Total basic and diluted earnings per share	**0.21**	(0.07)

The increase in net income during the fiscal year ended January 31, 2021, compared with the 2020 fiscal year, is previously explained in this section, and more specifically, from the improvement in gross margin and the decrease in selling and administrative expenses and financial expenses, as well as the impact of government subsidies related to COVID-19, net of direct costs incurred and operational inefficiencies associated with government-mandated health and physical distancing measures.

14. COMMENTS ON QUARTERLY RESULTS

The 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 nonresidential construction market in which the Corporation is active goes through upward and downward cycles.

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 hereinafter, these fluctuations are mostly explained by the fabrication schedules of the different projects announced by the Corporation. Considering that revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the year, revenues and operating results can differ significantly from quarter to quarter because of these execution schedules.

14.1 **Results for the Last Eight (8) Quarters**

Fiscal Years Ended January 31,	**2021**				2020			
	4th Quarter (01.31.2021)	**3rd Quarter (10.31.2020)**	**2nd Quarter (07.31.2020)**	**1st Quarter (04.30.2020)**	4th Quarter (01.31.2020)	3rd Quarter (10.31.2019)	2nd Quarter (07.31.2019)	1st Quarter (04.30.2019)
(In thousands of dollars and in dollars per share)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**37,142**	**47,158**	**42,496**	**45,797**	46,342	42,103	54,119	37,146
Gross margin	**6,453**	**7,507**	**7,407**	**4,837**	3,992	992	5,753	5,770
— As a % of revenues	**17%**	**16%**	**17%**	**11%**	9%	2%	11%	16%
EBITDA (1)	**3,777**	**5,020**	**4,577**	**2,967**	1,618	(2,424)	3,012	3,019
— As a % of revenues	**10%**	**11%**	**11%**	**6%**	3%	(6)%	6%	8%
Income (loss) before income tax expense (recovery)	**2,263**	**3,421**	**3,895**	**(560)**	(484)	(3,978)	1,176	1,300
— As a % of revenues	**6%**	**7%**	**9%**	**(1)%**	(1)%	(9)%	2%	3%
Net income (loss)	**2,108**	**2,579**	**2,112**	**68**	(110)	(4,059)	419	1,618
— Basic and diluted per share	**0.06**	**0.08**	**0.06**	**0.00**	(0.00)	(0.12)	0.01	0.05

(1) See Section 10 "Non-GAAP Measures" for the definition of EBITDA.

14.2 **Results for the Fourth Quarter Ended January 31, 2021**

For the three months ended January 31, 2021, the Corporation recorded revenues of $37.1 million, down $9.2 million from the fourth quarter of the 2020 fiscal year. The decline in this quarter, and also in relation to the previous quarter ended October 31, 2020, is due to the timing of the production schedules of the recently awarded contracts, and the slowdown that comes with the Holiday season, the latter having been more marked because of ADF's Management intent to minimize the risk of the COVID-19 virus spread during this period.

The gross margin as a percentage of revenues stood at 17.4% for the fourth quarter ended January 31, 2021, compared with 8.6% for the same quarter in the 2020 fiscal year. The increase in margins is in line with the trends observed in recent quarters, including the pandemic-related grants previously mentioned herein. It should be noted that all three previous quarters of the 2021 fiscal years were negatively impacted by the costs and internal inefficiencies also brought about by the pandemic.

As mentioned in Section 10.6, EBITDA for the quarter ended January 31, 2021, benefited from subsidies related to COVID-19 totaling $6.3 million, which sum does not take into account the direct costs and the impact of operational inefficiencies brought by the implementation of various health and physical distancing measures.

The Corporation has therefore recorded a net income of $2.1 million during the last quarter of 2021 fiscal year, compared with a net loss of $0.1 million for the same period in fiscal year 2020.

15. **CASH FLOWS AND FINANCIAL POSITION**

Although under pressure, the Corporation has 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 credit facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On January 31, 2021, cash and cash equivalents totalled $17.8 million, up by $13.8 million compared with January 31, 2020. In addition, as at January 31, 2021, the Corporation did not draw from its credit facilities, whereas it used $13.1 million as at January 31, 2020. As a result, the overall financial position of the Corporation improved by $26.9 million during the 12-month period ended January 31, 2021.

As explained in Section 6 "Significant Events of the Fiscal Year", the Corporation increased its credit facilities by $10.0 million, bringing the total available funds to $30.0 million. Management believes that these available funds are sufficient to support the growth and execution of its order backlog in hand on January 31, 2021, and to meet its financial commitments for the 2022 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. It also looks at opportunities for accelerated payments discounts negotiated with suppliers (see Section 32 "Outlook").

15.1 **Operating Activities**

During the 2021 fiscal year, the Corporation used cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**10,205**	4,761
Changes in non-cash operating working capital items:		
Accounts receivable	**(11,378)**	(10,360)
Holdbacks on contracts	**508**	(5,491)
Contract assets	**5,236**	3,660
Inventories	**830**	554
Prepaid expenses and other current assets	**(922)**	74
Accounts payable and other current liabilities	**3,580**	13,597
Contract liabilities	**20,793**	(7,679)
Other	**(10)**	(10)
	18,637	(5,655)
Cash flows (use in) from operating activities	**28,842**	(894)

Net income adjusted for non-cash items totalled $10.2 million during the 2021 fiscal year, which is $5.4 million higher than during the 2020 fiscal year. This difference is for the most part explained by an increase in net income, net of the impact of public subsidies related to the COVID-19 pandemic totalling $6.3 million, of which $2.2 million was not collected as at January 31, 2021.

During the 2021 fiscal year, changes in non-cash operating working capital items generated cash of $18.6 million. This cash inflow is mostly explained by the net change in contract assets and liabilities ($26.0 million) and the increase in accounts payable and other current liabilities ($3.6 million), net of the increase in accounts receivable ($11.4 million). These variations are in line with the activity level as at January 31, 2021, compared with the same date a year ago, in line with the growth of the order backlog.

Overall, as a result, operating activities generated cash flows of $28.8 million during the fiscal year ended January 31, 2021, compared with a cash outflow of $0.9 million during the fiscal year ended January 31, 2020.

During the 2020 fiscal year, changes in non-cash operating working capital items used cash of $5.7 million. This cash outflow is mostly explained by the increase in accounts receivable ($10.4 million) and in holdbacks on contracts ($5.5 million), and the decrease in contract liabilities ($7.7 million), net of the increase in accounts payable and other current liabilities ($13.6 million). These variations are in line with the activity level as at January 31, 2020, compared with the same date a year ago, in line with the order backlog's growth.

15.2 **Investing Activities**

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of dollars)	**$**	$
Acquisition of property, plant and equipment	**(1,460)**	(1,186)
Acquisition of intangible assets	**(361)**	(452)
Government grants	**—**	826
Others	**68**	142
Cash flows used in investing activities	**(1,753)**	(670)

During the 2021 fiscal year, $1.8 million in liquidities were used, mainly for the acquisition of property, plant and equipment ($1.5 million) and intangible assets ($0.4 million).

The intangible assets for both fiscal years relate primarily to the internal development and implementation of production, estimating and financial software.

The Corporation estimates capital expenditure for fiscal year 2022 at less than $5.0 million, which will primarily be used to keep the production equipment current 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,	2021	2020
(In thousands of dollars)	$	$
Variation in the credit facilities	**(13,105)**	6,500
Issuance of long-term debt	**5,654**	—
Repayment of long-term debt	**(1,918)**	(1,884)
Payment of lease liabilities	**(961)**	(771)
Dividends paid	**(653)**	(653)
Interest paid	**(1,460)**	(1,827)
Cash flow (used in) from financing activities	**(12,443)**	1,365

During fiscal year 2021, financing activities used liquidities of $12.4 million, compared with a cash generation of $1.4 million during the previous fiscal year. These funds went toward the reimbursement of the credit facilities, net of the issuance of the long-term debt (see Section 6.4 "New Loans").

During the fiscal years 2021 and 2020, the Corporation reimbursed $2.9 million and $2.7 million respectively on its long-term debts and lease liabilities. During the 2021 and 2020 fiscal years, the Corporation also paid a total of $0.7 million in dividends to its Shareholders of Record.

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 ranging between 1.98% and 4.05% as at January 31, 2021. The Corporation is currently making monthly principal repayments totaling less than $0.2 million on these debts. Other rent payments relating to lease liabilities and other long-term contracts are described in Section 15.6 below.

15.5 **Debt Covenants**

During the fiscal year ended January 31, 2021, 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 year 2022.

15.6 **Contractual Obligations**

a) **Long-Term Debt**

Long-term debt, excluding interests and deferred financing costs, is detailed as follows:

(In thousands of dollars)	$
Less than one year	**1,909**
2 to 3 years	**4,811**
4 to 5 years	**2,353**
And over	**11,276**
Total	**20,349**

b) **Lease Liabilities**

The lease liabilities excluding interest, are detailed as follows:

(In thousands of dollars)	$
Less than one year	**1,143**
2 to 3 years	**1,568**
4 to 5 years	**1,084**
And over	**1,514**
Total	**5,309**

c) **Operating Leases and Other Long-Term Contracts**

As at January 31, 2021, the Corporation’s commitments totalled $0.2 million under long-term contracts. The minimum annual payments are spread over the next two (2) fiscal years and are as follows:

Fiscal Years Ended January 31,	2022	2023
(In thousands of dollars)	$	$
Long-term contracts	**113**	**67**

15.7 **Commitments Related to Letters of Credit as at January 31, 2021**

The Corporation held letters of credit, totalling US$3.4 million as at January 31, 2021 and 2020, corresponding to $4.4 million and $4.5 million respectively.

16. **CAPITAL STOCK**

Information on the outstanding shares:

	Subordinate Voting Shares		Multiple Voting Shares (1)		Total Outstanding Shares	
(In thousands of dollars, and in number of shares)	Number	$	Number	$	Number	$
As at January 31, 2020 and 2021	**18,292,099**	**52,119**	**14,343,107**	**16,001**	**32,635,206**	**68,120**

(1) These shares carry 10 votes per share.

At the date hereof, the number of shares outstanding was unchanged.

17. **STOCK OPTION PLAN**

During the fiscal year ended January 31, 2021, a total of 50,000 stock options expired. The number of stock options issued and outstanding went from 55,000 options as at January 31, 2020, to 5,000 options as at January 31, 2021. These 5,000 options, which had a weighted average life of 1.36 year before maturity, had a weighted average exercise price of $1.21 as at January 31, 2021.

18. **SHARE UNITS**

18.1 **Deferred Share Units (DSU) Plan**

a) **External Directors**

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 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 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 DSU that can be granted to external directors for the purposes of deferring their directors' compensation, the DSU plan also allows the Corporation's Board of Directors to award, at its discretion, DSU 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.

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the Directors, Executive Officers and key employees (see Section 18.1 b) below) are credited for the amount in the form of additional units using the same basis of calculation previously described.

The DSU are re-evaluated at fair 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 years ended January 31, 2021 and 2020, DSU compensation to external directors recorded in the Consolidated Statement of Income (Loss) amounted to an expense of $0.3 million and $0.4 million respectively, including the impact of the change in the market price of the Corporation's share, which amounted to an expense of $0.2 million and an expense of $0.1 million, respectively during the fiscal years ended January 31, 2021 and 2020.

The fluctuation in DSU for External Directors was as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**464,467**	403,827
Granted	**155,054**	265,772
Distributed	**—**	(205,132)
Outstanding and vested, at the end of year	**619,521**	464,467

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU amounted to $1.0 million as at January 31, 2021 ($0.6 million as at January 31, 2020).

b) **Executive Officers and Key Employees**

As set forth in the DSU Plan, the Corporation may grant DSU, on a discretionary basis, Executive Officers and key employees. These DSU usually vest gradually over a 2 to 5-year period, at a rate of 20% to 50% per year. The vested DSU will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are progressively expensed as incurred over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares.

The DSU compensation for Executive Officers and key employees, amounted to a $0.1 million expense for the fiscal year ended January 31, 2021 (an expense of $0.1 million for the fiscal year ended January 31, 2020) and include the impact of the change in the market price of the Corporation's share, which amounted to an immaterial amount during the fiscal years ended January 31, 2021 and 2020.

The fluctuation in DSU for the Executive Officers and key employees was as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**198,208**	272,444
Granted	**95,252**	2,332
Distributed	**—**	(67,465)
Forfeited	**—**	(9,103)
Outstanding, at the end of year	**293,460**	198,208
Vested, at the end of year	**174,125**	136,559

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to $0.4 million as at January 31, 2021 ($0.3 million as at January 31, 2020), and of which $0.3 million correspond to the intrinsic value of vested DSU as at January 31, 2021 ($0.2 million as at January 31, 2020).

18.2 Performance Share Units Plan (PSU)

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income (Loss) over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

During the fiscal year ended January 31, 2021, PSU compensation for Executive Officers and key employees amounted to an expense of $0.5 million (no expense for the fiscal year ended January 31, 2020) including the impact of the variation in the Corporation's share price, which amounted to an expense of $0.1 million during the fiscal year ended January 31, 2021 (no impact from the variation in the Corporation's share price during the fiscal year ended January 31, 2020).

Fluctuations in PSU for Executive Officers and key employees were as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of performance share units)	**Number**	Number
Outstanding, at the beginning of year	**211,373**	—
Granted	**134,875**	211,373
Outstanding, at the end of year	**346,248**	211,373
Vested, at the end of year	**126,948**	—

As at January 31, 2021, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to $0.5 million (no amount as at January 31, 2020), including an amount of $0.2 million, which corresponds to the intrinsic value of the vested PSU as at January 31, 2021.

19. **DIVIDEND**

During the fiscal year ended January 31, 2021, two semi-annual dividends of $0.3 million each (or $0.01 per share), were recognized as distribution to the Shareholders of Record of the Corporation as at April 30, 2020 and September 30, 2020 respectively, totalling $0.7 million (or $0.02 per share), of which $0.4 million for subordinate voting shares and $0.3 million for Multiple Voting Shares. These sums were paid on May 15, 2020 and October 16, 2020, respectively.

During the fiscal year ended January 31, 2020, two semi-annual dividends of $0.3 million each (or $0.01 per share), were recognized as distribution to the shareholders of record of the Corporation as at April 30, 2019 and September 30, 2019 respectively, totalling $0.7 million (or $0.02 per share), of which $0.4 million for subordinate voting shares and $0.3 million for Multiple Voting Shares. These sums were paid on May 15, 2019 and October 16, 2019, respectively.

20. **ORDER BACKLOG**

ADF Group's order backlog totalled $436.2 million on January 31, 2021, compared with $328.7 million on the same date a year earlier. This variation is attributable to new contracts and contract modifications, net of contracts execution.

As at January 31, 2021, 34% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 39% on January 31, 2020. Most of the contracts in hand as at January 31, 2021, will progressively be executed by the end of the fiscal year ending January 31, 2023.

21. **FINANCIAL POSITION**

As at January 31, 2021, 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, 2021 and January 31, 2020.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash and cash equivalents, net of the variation in the credit facilities	**26.9**	See Section 15 "Cash Flows and Financial Position" hereinabove.
Accounts receivable	**10.7**	Increase in billing, in line with the level of activity and progress of work schedules.
Holdbacks on contracts	**(0.8)**	Based on the activity level and billing schedules of contracts in hand.
Contract assets, net of contract liabilities	**(25.5)**	Net difference between work progress and progressive revenue billing. The variation reflects the progress schedule.
Property, plant and equipment, intangible assets and right-of-use assets	**(4.2)**	Variation stems from the impact of foreign exchange rate ($1.5 million), and amortization ($4.9 million), net of acquisitions and disposals of property, plant and equipment, intangible assets and right-of-use assets ($2.2 million).
Accounts payable and other current liabilities	**3.8**	In line with the level of activity as at January 31, 2021.
Long-term debt and lease liabilities (including current portions)	**(1.5)**	Variation stemming from debts and lease liabilities repayments ($2.9 million), forgiveness of a portion of the US-denominated debt ($3.9 million – see Section 6.4), and the impact of the foreign exchange rate ($0.7 million), net of the issuance of new debts and the variation in lease liabilities ($6.0 million).
Accumulated other comprehensive income (loss)	**(1.1)**	Variation mostly caused by the impact of the variation in the foreign exchange rates on the translation of foreign operations.

22. **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 sound 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 32 "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 8 "COVID-19", 24 "External Factors to Which the Corporation's Performance is Exposed" and 32 "Outlook").

23. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2021, certain advances were granted to executive-shareholders. These advances were fully reimbursed at the date hereof and no outstanding balances remained as at January 31, 2021.

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,**	
			2021	2020
			(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 "Executive Compensation" of the Management Information Circular for the 2021 fiscal year).	**1,215,610**	1,400,911
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	**241,114**	137,139

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

24.1 Global Pandemic

A pandemic outbreak, as COVID-19 demonstrates, must now be considered in external factors that may influence ADF's performance. Although the type of pandemic or future variant is innumerable, and the impacts of these pandemics on the sector in which our Corporation operates can be multiple, the Corporation will now have to monitor this new risk. The measures taken by ADF to minimize the impacts of COVID-19 on all operations will serve as the basis for future years and will need to be adjusted, if necessary, according to the potential impacts of future pandemics.

24.2 Exchange Rate

The exchange rate fluctuation between the Canadian and US dollars has an impact on the Corporation's results. Thus, a $0.7 million foreign exchange loss was recorded for the fiscal year ended January 31, 2021, compared with a $0.4 million foreign exchange loss for the 2020 fiscal year.

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

— Issuance of new debts in US dollars;
— When advantageous, the raw material (steel) and welding products required for fabrication are purchased in US dollars, and
— A foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in US dollars.

24.3 Operating Risks and Uncertainties

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

a) **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 nonresidential 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 (please also refer to Section 8 "COVID-19").

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

During the fiscal year ended January 31, 2021, 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.

c) **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 imposition by the United States, historically ADF's main market, of tariffs or other protectionist measures on imported processed steel;

— Fluctuations in the exchange rate between the Canadian and US dollars. However, this risk is mitigated in part by the foreign currency hedge policy adopted by the Corporation's Executive Officers, 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.

25. 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, accounts receivable, holdbacks on contracts, contract assets, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include credit facilities, accounts payable and other current liabilities, contract liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at January 31, 2021 and 2020, 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, accounts receivable, holdbacks on contracts receivable, contract assets and liabilities, credit facilities, and accounts payable and other current liabilities), or because the Corporation believes it could obtain similar conditions and schedules in the case of the long-term debt (excluding lease liabilities) or since they are re-evaluated at their fair value at the end of every period (in the case of derivative financial instruments) (see Note 28 "Financial Instruments" in the Consolidated Financial Statements for the fiscal year ended January 31, 2021).

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, where appropriate.

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 27 "Financial Risk Management" in the Consolidated Financial Statements for the fiscal year ended January 31, 2021.

26. 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 at January 31, 2021, 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 ended January 31, 2021, no changes were made to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

27. 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 wishes 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.

28. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The summary of ADF's significant accounting policies is described in Note 2 "Summary of Significant Accounting Policies" of the notes to Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2021.

The preparation of financial statements in accordance with IFRS requires Management to make judgements in the application of accounting policies 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. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

The significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

28.1 Revenue Recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a specific point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Corporation to estimate an amount of a variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Corporation needs to constraint the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenues recognition.

28.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolesce, particularly with regard to hardware and software.

28.3 Significant Judgment in Determining the Lease Term of Contracts

The Corporation determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation's control.

28.4 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.

28.5 Impairment of Non-Financial Assets

ADF's Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as :

i. changes in signed backlog,
ii. changes in earnings before interest depreciation and amortization (EBITDA) margin,
iii. changes in EBITDA multiples of comparable companies, and
iv. the Corporation's market capitalization compared to its net assets.

An impairment loss is recognized, if any, for the amount by which an assets or CGUs (cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

For the purpose of assessing the potential impairment of the Corporation's non-financial assets, management would use the fair value less costs of disposal model to estimate the fair value based on earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation's non-financial assets.

As of January 31, 2021, the management of the Corporation has determined that there is no indicator of impairment and therefore no impairment test has been performed.

29. 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 facilities in Terrebonne, Québec and in Great Falls, Montana, were built on vacant lands. 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 and vapours, ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations and ensures to perform in the normal course of business, the investments required to meet the highest standards.

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

Moreover, as part of the construction of its new paint shop at its Terrebonne facilities, 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, 2021 and 2020, and taking into account the preceding paragraph, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income (loss) and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

30. HUMAN RESOURCES

As at January 31, 2021, the Corporation employed a total of 505 people across its head office, fabrication complex and paint shop in Terrebonne, Quebec, Canada, and its office, fabrication plant and paint shop in Great Falls, Montana, U.S.A., and as well as the sales office and various construction sites in United States.

31. SUBSEQUENT EVENT

Dividend

On April 7, 2021, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share payable on May 17, 2021, to Shareholders of Record as at April 30, 2021.

32. OUTLOOK

The fiscal year that just ended is a good example of our Corporation's resilience. Despite the impacts of the pandemic and its effects, not only on the economy in general, but also on the way we operate, we have been able to continue to grow our order backlog and greatly improve our cash position.

For the fourth consecutive year, we continued the growth of our order backlog, which reached $436.2 million at January 31, 2021, while our net cash flow improved by nearly $27.0 million during the 12-month period ended the same date. Our results also improved compared with the previous fiscal year. As previously explained in this MD&A Report, we have benefited from some government incentives put in place to address the effects of the pandemic, but have also had additional costs and operational inefficiencies associated with this pandemic.

We are therefore starting the 2022 fiscal year with a strong order backlog and a sound cash position. The only downside we see to these prospects is the price of the contracts that are currently in the backlog, and at the negotiation stage. The contracts recently won by ADF, and the market in general, still offer increasingly tight prices, which put a certain pressure on our margins. We welcome the recent announcements of infrastructure investment projects that are expected to reduce this pressure, but in the meantime, and while we expect revenues to increase in the next fiscal year in light of the order backlog, we also expect margins to decline in future quarters.

However, we will continue our efforts to grow the backlog and our strategies to improve our operational efficiency. We have promising improvement projects in sights, and will do everything we can to maintain our competitive advantage and take ADF to new heights.

33. ADDITIONAL INFORMATION

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.

Mr. Jean-Francois Boursier, CPA, CA

/ Signed /

Chief Financial Officer

Ms. Marise Paschini

/ Signed /

Executive Vice-President, Treasurer and Corporate secretary

Terrebonne, Quebec, Canada, April 7, 2021

To Our Shareholders

The consolidated financial statements and Management's Discussion and Analysis ("MD&A") and all other information in the Annual Report, are the responsibility of the Corporation's Management and have been approved by its Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. The consolidated financial statements and MD&A include items 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 consolidated 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 is responsible for ensuring that management fulfills its responsibilities for the financial reporting and ultimately responsible for reviewing and approving the consolidated financial statements and MD&A, The Board of Directors carries out this responsibility principally through its Audit Committee, consisting of independent directors. The Audit Committee reviews the Corporation's a consolidated financial statements and MD&A 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 consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent auditor, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditor's report, hereafter, outlines the scope of its audits and set forth its opinion on the consolidated financial statements.

Mr. Jean Paschini	Mr. Jean-François Boursier, CPA, CA
/ Signed /	*/ Signed /*
Co-Chairman of the Board of Directors and Chief Executive Officer	**Chief Financial Officer**

Independent auditor's report

To the Shareholders of ADF Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ADF Group Inc. and its subsidiaries (together, the Corporation) as at January 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2021 and 2020;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – total anticipated costs on cost-plus contracts with ceilings and on fixed-price contracts *Refer to note 2 – Summary of significant accounting policies, and note 3 – Estimation uncertainty and critical accounting judgements.* For the year ended January 31, 2021, revenue from cost-plus contracts with ceilings and on fixed-price contracts make up a significant portion of the Corporation's total revenues of $172.6 million. Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer. For performance obligations satisfied over time, such as for cost-plus and fixed-price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total anticipated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the total anticipated costs for a sample of contracts, which included the evaluation of the reasonableness of the costs to complete the contract, as follows: – Obtained and read contract agreements, and change orders when applicable, to understand contract scope and key terms; – Evaluated the timely identification by management of circumstances that may warrant a modification to the total anticipated costs including, but not limited to, contracts subject to claims and contract modifications; – Interviewed operational personnel of the Corporation to evaluate progress to date, the total anticipated costs to be incurred, and factors impacting the amount of time and cost to complete the contract and considered consistency with supporting documents; – Compared the original margin expected on the contract to the actual margin to date; and – Compared the costs incurred and the anticipated costs to complete to the original total anticipated costs.

Key audit matter	How our audit addressed the key audit matter
The determination of total anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenue recognition. We considered this a key audit matter due to the significant judgments made by management when estimating anticipated costs. This in turn led to significant auditor judgments and audit effort in performing procedures to evaluate the total anticipated costs, including the assessment of management's judgments about its ability to estimate costs required to complete the contract.	• Tested on a sample basis the costs incurred to supporting documents. • Compared the original total anticipated costs to the total costs incurred for contracts completed during the year.
Assessment of impairment indicators on property, plant and equipment, right-of-use assets and intangible assets with finite useful life *Refer to note 3 – Estimation uncertainty and critical accounting judgements, to the financial statements.* As at January 31, 2021, the net book value of property, plant and equipment, right-of-use assets and intangible assets with finite useful life (non-financial assets), respectively, amounted to \$62.2 million, \$22.5 million and \$3.3 million. The Corporation's management reviews the carrying value of the Corporation's non-financial assets when there are events or circumstances that may indicate impairment. Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as (i) changes in signed backlog, (ii) changes in earnings before interest depreciation and amortization (EBITDA) margin, (iii) changes in EBITDA multiples of comparable companies and (iv) the Corporation's market capitalization compared to its net assets.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: – Assessed the completeness of external or internal factors that could be considered as indicators of impairment on the Corporation's non-financial assets, including consideration of evidence obtained in other areas of the audit; – Assessed the reasonableness of factors such as changes in signed backlog and changes in EBITDA margin by considering the current and past performance of the Corporation and evidence obtained in other areas of the audit, as applicable;

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the non-financial assets and (ii) the significant judgment made by management in assessing any indicator of impairment, which led to subjectivity in performing procedures to test management's assessment. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	– Recalculated the Corporation's market capitalization and compared it to the net assets as at January 31, 2021; and – Professionals with skill and knowledge in the field of valuation assisted us in assessing the changes in EBITDA multiples based on available data of comparable companies.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 7, 2021

[1] CPA auditor, CA, public accountancy permit No. A126402

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
ASSETS		
Current assets		
Cash and cash equivalents	**17,806**	3,983
Accounts receivable	**50,234**	39,555
Holdbacks on contracts (Note 15)	**10,785**	11,628
Current income tax assets	**834**	882
Contract assets (Note 15)	**8,790**	14,435
Inventories (Note 5)	**6,960**	7,898
Derivative financial instruments (Note 28)	**517**	—
Prepaid expenses and other current assets	**4,670**	1,581
Total current assets	**100,596**	79,962
Non-current assets		
Property, plant and equipment (Note 6)	**62,223**	64,967
Right-of-use assets (Note 7)	**22,478**	23,818
Intangible assets (Note 8)	**3,266**	3,354
Other non-current assets (Note 9)	**1,388**	1,443
Total assets	**189,951**	173,544
LIABILITIES		
Current liabilities		
Credit facilities (Note 10)	**—**	13,105
Accounts payable and other current liabilities (Note 11)	**34,562**	30,788
Current income tax liabilities	**1,161**	216
Contract liabilities (Note 15)	**23,278**	3,444
Derivative financial instruments (Note 28)	**—**	123
Current portion of lease liabilities (Note 7)	**1,143**	1,070
Current portion of long-term debt (Note 12)	**1,904**	1,903
Total current liabilities	**62,048**	50,649
Non-current liabilities		
Long-term debt (Note 12)	**18,368**	19,156
Lease liabilities (Note 7)	**4,166**	4,930
Deferred income tax liabilities (Note 20)	**5,627**	4,215
Other non-current liabilities	**177**	187
Total liabilities	**90,386**	79,137
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	**68,120**	68,120
Contributed surplus	**6,435**	6,435
Accumulated other comprehensive income (loss) (Note 14)	**5,886**	6,942
Retained income	**19,124**	12,910
Total shareholders' equity	**99,565**	94,407
Total liabilities and shareholders' equity	**189,951**	173,544

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Director

/Signed /

Jean Paschini

Director

/ Signed /

Frank Di Tomaso, FCPA, FCA, ICD.D

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of Canadian dollars, except the number of shares and the amounts per share)	**$**	$
Revenues (Notes 15 and 29)	**172,593**	179,710
Cost of goods sold (Note 16)	**146,388**	163,203
Gross Margin	**26,205**	16,507
Selling and administrative expenses (Note 16)	**14,779**	16,005
Net financial expenses (Note 19)	**1,663**	2,082
Foreign exchange loss	**744**	406
	17,186	18,493
Income (loss) before income tax expense	**9,019**	(1,986)
Income tax expense (Note 20)	**2,152**	146
Net income (loss) for the year	**6,867**	(2,132)
Earnings per share		
– Basic and diluted per share (Note 21)	**0.21**	(0.07)
Average number of outstanding basic and diluted shares (in thousands) (Note 21)	**32,635**	32,635

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
Net income (loss) for the year	**6,867**	(2,132)
Other comprehensive income (loss) (Note 14):		
Exchange differences on translation of foreign operations [(a)]	**(1,056)**	294
Comprehensive income (loss) for the year	**5,811**	(1,838)

a) *Will subsequently be reclassified to net income (loss).*

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars)	**Capital Stock** (Note 13) $	**Contributed Surplus** $	**Accumulated Other Comprehensive Income (Loss)** (Note 14) $	**Retained Income** $	**Total** $
Balance, February 1, 2019	68,120	6,432	6,648	15,695	96,895
Net loss for the year	—	—	—	(2,132)	(2,132)
Other comprehensive income (loss)	—	—	294	—	294
Comprehensive income (loss) for the year	—	—	294	(2,132)	(1,838)
Share-based compensation	—	3	—	—	3
Dividends (Note 13)	—	—	—	(653)	(653)
Balance, January 31, 2020	68,120	6,435	6,942	12,910	94,407

(In thousands of Canadian dollars)	**Capital Stock** (Note 13) **$**	**Contributed Surplus** **$**	**Accumulated Other Comprehensive Income (Loss)** (Note 14) **$**	**Retained Income** **$**	**Total** **$**
Balance, February 1, 2020	**68,120**	**6,435**	**6,942**	**12,910**	**94,407**
Net income for the year	**—**	**—**	**—**	**6,867**	**6,867**
Other comprehensive income (loss)	**—**	**—**	**(1,056)**	**—**	**(1,056)**
Comprehensive income (loss) for the year	**—**	**—**	**(1,056)**	**6,867**	**5,811**
Dividends (Note 13)	**—**	**—**	**—**	**(653)**	**(653)**
Balance, January 31, 2021	**68,120**	**6,435**	**5,886**	**19,124**	**99,565**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of Canadian dollars)	**$**	$
OPERATING ACTIVITIES		
Net income (loss) for the year	**6,867**	(2,132)
Non-cash items:		
Amortization of property, plant and equipment (Note 6)	**3,465**	3,387
Amortization of right-of-use assets (Note 7)	**1,001**	926
Amortization of intangible assets (Note 8)	**449**	410
Unrealized gain on derivative financial instruments	**(640)**	(61)
Unrealized foreign exchange loss (gain)	**359**	(134)
Share-based compensation (Note 13)	**998**	491
Income tax expense	**2,152**	146
Government grants	**(6,158)**	(243)
Net financial expenses (Note 19)	**1,663**	2,082
Others	**49**	(111)
Net income adjusted for non-cash items	**10,205**	4,761
Change in non-cash working capital items (Note 22)	**18,637**	(5,655)
Cash flows from (used in) operating activities	**28,842**	(894)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 6)	**(1,460)**	(1,186)
Acquisition of intangible assets (Note 8)	**(361)**	(452)
Government grants	**—**	826
Others	**68**	142
Cash flows used in investing activities	**(1,753)**	(670)
FINANCING ACTIVITIES		
Variation in credit facilities (Note 22)	**(13,105)**	6,500
Issuance of long-term debt (Notes 12 et 22)	**5,654**	—
Repayment of long-term debt (Note 22)	**(1,918)**	(1,884)
Payment of lease liabilities (Note 22)	**(961)**	(771)
Dividends paid (Note 13)	**(653)**	(653)
Interest paid	**(1,460)**	(1,827)
Cash flows (used in) from financing activities	**(12,443)**	1,365
Impact of fluctuations in foreign exchange rate on cash flow	**(823)**	18
Net change in cash and cash equivalents during the year	**13,823**	(181)
Cash, and cash equivalents, beginning of year	**3,983**	4,164
Cash and cash equivalents, end of year	**17,806**	3,983

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

Fiscal Years Ended January 31, 2021 and 2020

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 and two paint shops, in Canada and in the United States. The Corporation concentrates its activities in the design and engineering of connections, fabrication, including industrial coating, and the installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the nonresidential construction industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes, and transport infrastructure.

The consolidated financial statements were approved by the Corporation's Board of Directors on April 7, 2021 and were signed on its behalf.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarized below. These policies have been consistently applied to all the periods presented, except as otherwise stated.

2.1 Basis of Assessment

The consolidated financial statements are established in accordance with the International Financial Reporting Standards ("IFRS"), issued by the *International Accounting Standards Board* ("IASB"), and have been prepared under the historical cost convention, except for the evaluation of certain financial instruments, which are measured at their 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.

2.2 Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are 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.

As at January 31, 2021 and 2020, the percentage of ownership held directly or indirectly by the Corporation in its subsidiaries was 100%. These subsidiaries are all incorporated in the United States, and are summarized as follows:

Subsidiaries	Activity Sectors
ADF Group USA Inc.	Holding
ADF Industrial Coating Inc.	Sales and surface treatment
ADF International Inc.	Sales, fabrication and steel erecting services
ADF Steel Corp.	Sales and other services
ADF Structural Steel Inc.	Sales, fabrication, steel erecting and engineering services

2.3 Foreign Currency Translation

2.3.1 Functional and Reporting Currency

Items included in each of the Corporation's entities financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for its Canadian entity, and the US dollar for its U.S. entities. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's reporting currency.

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

- Assets and liabilities – at the closing rate at the date of the statement of financial position, and
- Revenues and expenses – at the average rate of the monthly period (considered a reasonable approximation to the actual rates in effect at the date of transactions).

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

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated exchange differences in other comprehensive income (loss) related to the foreign operation are recognized in net income (loss).

2.3.2 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 "Foreign Exchange Loss (Gain) " in the Consolidated Statement of Income (Loss).

2.4 Revenue Recognition

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer.

In most cases, for performance obligations satisfied over time, such as cost-plus and fixed price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Corporation recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Corporation might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Corporation is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as financial revenue or expense, as applicable.

The Corporation may enter into contractual arrangements with a client to deliver services on one project which span more than one performance obligation, such as particularly in the context of the Corporation's activities. When entering into such arrangements, the Corporation allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Corporation accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the Corporation's stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Corporation recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Corporation may apply its revenue recognition accounting policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

Contract related balances include contract assets and liabilities presented separately in the consolidated statements of financial position.

— Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to the accounts receivable when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on contracts.

— Contract liabilities are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts. Contract liabilities include advances and progress billings in excess of costs incurred and recorded margin on contracts.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third parties, are classified as cash flows from operating activities.

2.5 Cash and Cash Equivalents

The cash and cash equivalents items include cash on hand, the bank overdraft and short-term investments, the case may be, with maturities at the time of acquisition generally not exceeding three (3) months or redeemable at any time at full value and for which the risk of change in value is not significant. Bank overdrafts are presented as current liabilities, where applicable.

2.6 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.

2.7 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 (loss) 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 as required.

2.8 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 consolidated statement of income (loss) in the period in which they are incurred.

2.9 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.

2.10 Impairment of Non-Financial Assets

Non-financial 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 non-financial assets, are included in the Consolidated Statement of Income (Loss). The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

2.11 Lease Agreements

The Corporation leases various office space, equipment, office furniture, rolling stock and computer hardware. Lease agreements are typically made for fixed periods of 2 to 6 years and may be subject to extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The accounting policies related to the lease agreements are described below.

— At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

— Leases are recognized as a right-of-use asset and a corresponding lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis except for lease agreements that have the effect, at the end of their term, of transferring ownership to the Corporation the property of the underlying good. In these cases, the Corporation amortize the right-of-use assets until the end of the useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

— The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation or payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Statement of Income (Loss).

— After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is revaluated when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a termination, extension or purchase option. The revaluation amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the Consolidated Statement of Income (Loss) when the carrying amount of the right-of-use asset is reduced to zero.

2.12 Income Tax

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

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

In general, deferred income 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. They are offset only when the Corporation has a right and the intention to offset these tax assets and liabilities from the same tax authority.

2.13 Tax Credits and Government Grants

In the course of its business, the Corporation may receive government grants, which are accounted for in accordance with 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.

2.14 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 expected 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.

2.15 Deferred Share Units ("DSU")

The DSU Plan allows every external director, who elects to participate, to defer in whole or in part his director's compensation (including annual 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 of deferring their directors' compensation, the DSU Plan also allows the Corporation's Board of Directors to grant, at its discretion, DSU 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.

2.16 **Performance Share Units Plan ("PSU")**

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income (Loss) over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

2.17 **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 (loss) by the weighted average number of outstanding shares during the period. Diluted earnings per share are obtained by dividing basic net income (loss) 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.

2.18 **Financial Instruments**

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument.

a) **Classification**

The Corporation determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value, either through net income (loss) ("FVTPL") or through other comprehensive income (loss) ("FVOCI"), or
- Those to be measured at amortized cost.

The classification of debt instruments held is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading and all derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition, the Corporation may irrevocable elect (on an instrument-by-instrument basis) to classify them at FVOCI whereby subsequent gains and losses will never be reclassified to net income (loss). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation was eligible and elected to measure them at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

b) **Measurement**

i. **Financial Instruments at Amortized Cost**

Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment. The transaction costs are capitalized to the costs of financial assets and liabilities. Therefore, the transaction costs applied to the long-term debt are classified against the long-term debt and amortized using the effective interest method.

Currently, the Corporation classifies cash and cash equivalents, accounts receivable and holdback on contracts as financial assets measured at amortized cost and credit facilities, accounts payable and other current liabilities and long-term debt as financial liabilities measured at amortized cost.

ii. **Financial Instruments at Fair Value**

Financial instruments are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income (loss). When the Corporation has elected to classify a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognize in Other Comprehensive Income (Loss).

Currently, the Corporation's derivative financial instruments are classified at FVTPL.

c) **Impairment**

The Corporation prospectively assesses the expected credit losses associated with debt instruments and contract assets carried at amortized cost or at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that there is no significant increase in the credit risk regarding low-credit risk instruments.

For accounts receivable and contract assets, the Corporation applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized at the time of initial recognition.

d) **Derecognition**

i. **Financial Assets**

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and nearly all the associated risks and rewards of ownership to another entity. Gains and losses upon derecognition are generally recognized in the Consolidated Statements of Comprehensive Income (Loss).

ii. **Financial Liabilities**

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statements of Income (Loss).

e) **Compensation**

Financial assets and liabilities are offset with the net balance recorded in the Consolidated Statement of Financial Position when there is an unconditional and legally enforceable and unconditional 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.

2.19 **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 (loss) under "Foreign Exchange (Gain) Loss" as previously defined under Note 2.18.

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 Corporation's functional currency. To protect itself against this risk, the Corporation can use hedge accounting by assigning certain of its U.S.-denominated debts as a hedge of net investments in foreign operations.

Hedges of net investments are as follows:

— All gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income (loss). The gains or losses relating to the ineffective portion are directly recognized in the Consolidated Statement of Income (Loss), and

— The gains or losses accumulated in shareholders' equity are included in the Consolidated Statement of Income (Loss) when the foreign operation is partially divested or sold.

2.20 **Pension Plans**

The Corporation offers its eligible employees defined contribution pension plans 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 plans are primarily disbursed on a monthly basis. Contributions are charged to net income (loss) under "Cost of goods sold" and "Selling and administrative expenses", when they are payable.

2.21 **Segmented Information**

The Corporation operates in the nonresidential 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).

2.22 Dividends

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

NOTE 3 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 policies 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. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is immediately recognized.

The significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

3.1 Revenues Recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a specific point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Corporation to estimate an amount of a variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Corporation needs to constraint the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

The determination of total anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenues recognition.

3.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date. As at January 31, 2021, 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 fiscal year. Actual results could however differ because of technical obsolesce, particularly with regard to hardware and software.

3.3 Significant Judgment in Determining the Lease Term of Contracts

The Corporation determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation’s control.

3.4 Income Tax

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.

3.5 Impairment of Non-Financial Assets

The Corporation’s management reviews the carrying value of the Corporation’s non-financial assets when there are events or circumstances that may indicate impairment.

Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as:

i. changes in signed backlog,
ii. changes in earnings before interest depreciation and amortization (EBITDA) margin,
iii. changes in EBITDA multiples of comparable companies and
iv. the Corporation’s market capitalization compared to its net assets.

An impairment loss is recognized, if any, for the amount by which an assets or CGUs carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

For the purpose of assessing the potential impairment of the Corporation's non-financial assets, management would use the fair value less costs of disposal model to estimate the fair value based on earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation’s non-financial assets.

As of January 31, 2021, the Corporation’s management has determined that there is no indicator of impairment and therefore no impairment test has been performed.

NOTE 4 COVID-19

Since March 2020, the COVID-19 pandemic has spread to North America. The markets served by the Corporation have, of course, not been spared by the many waves that continue to affect these same markets as of the date of this Report.

A number of Canadian provinces and U.S. states, including Quebec and Montana, have instituted confinement periods or have introduced certain restrictions to contain the spread of the virus, except for essential services. Since the beginning of this pandemic and at the as of the date hereof, all of Corporation’s facilities, including all of its job sites, remained open and operational.

The Corporation has taken steps to care for its employees, including allowing them to work remotely and implementing strategies to support appropriate social distancing techniques for employees who cannot work remotely. The Corporation has also taken precautions with regard to the hygiene of employees, facilities and offices, as well as the implementation of significant travel restrictions. The Corporation is also evaluating its business continuity plans for all of its operations in the context of this pandemic. This situation is evolving rapidly and the Corporation will continue to monitor and mitigate developments affecting its staff, suppliers, customers and the general public as much as it can.

However, in order for ADF’s fabrication plant in Terrebonne, Quebec, to remain in operation, and in addition to the required sanitary and physical distancing measures, the Corporation initially had to limit the number of employees per work shift. This limitation has allowed the Corporation to maintain a sufficient level of fabrication in order to serve its various customers, but has resulted in some operational limitations. In addition, some additional costs have also been incurred as a result of the various measures taken. At the date hereof, the number of employees per shift has virtually returned to the pre-pandemic level.

During the health crisis, various government programs were put in place in Canada and the United States allowing the Corporation and some of its subsidiaries to benefit from government grants totalling $6,347,000 recognized as a reduction of salaries expense in the Consolidated Statement of Income (Loss) for the Fiscal Year Ended January 31, 2021, of which an amount of $2,209,000 was included in other current assets in the Consolidated Statement of Financial Position as at January 31, 2021.

So, although for the moment the impact of COVID-19 on the Corporation’s operations is limited, the extent to which the virus can have an impact on its results will depend on future developments, which are very uncertain and cannot be predicted at the time of this filing, including new information that may emerge regarding the severity of COVID-19 and the measures taken to contain it or address its impact, among others.

Management's estimates and judgments considered the uncertainties, including the uncertainty that the pandemic is causing in the various markets where the Corporation operates, and economic implications of the COVID-19 pandemic on the Corporation's business, financial performance and financial position, and did not result in material impacts for the fiscal year ended January 31, 2021.

However, at the date of publication of these audited consolidated financial statements, although the Corporation was able to reduce the short-term impact of the virus without significant reduction of its activities, it is not possible at this time to reliably assess the duration and the severity the global pandemic nor the long-term consequences it may have on the Corporation’s financial results and cash flows.

NOTE 5 INVENTORIES

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Inventories	**7,825**	8,700
Inventories depreciation	**(865)**	(802)
	6,960	7,898

During the fiscal year ended January 31, 2021, the inventories amount recognized as cost of goods sold totalled $50,658,000 and $40,193,000 during the fiscal year ended January 31, 2020.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvement to Lands	Equipment and Overhead Cranes	Office Furniture, Rolling Stock, and Computer Hardware	Total
(In thousands of CA$)	$	$	$	$	$
As at February 1, 2019					
Cost	5,743	61,971	42,139	8,057	117,910
Accumulated amortization	—	(20,009)	(24,542)	(6,133)	(50,684)
Net book value	5,743	41,962	17,597	1,924	67,226
Acquisitions	—	115	846	225	1,186
Disposal	—	—	(147)	(64)	(211)
Effect of fluctuations in exchange rates	9	70	66	8	153
Amortization expenses	—	(1,211)	(1,864)	(312)	(3,387)
Balance at January 31, 2020	5,752	40,936	16,498	1,781	64,967
As at January 31, 2020					
Cost	5,752	62,162	42,878	6,406	117,198
Accumulated amortization	—	(21,226)	(26,380)	(4,625)	(52,231)
Net book value	5,752	40,936	16,498	1,781	64,967
Acquisitions	**—**	**(45)**	**1,262**	**243**	**1,460**
Disposal	**—**	**—**	**—**	**(3)**	**(3)**
Effect of fluctuations in exchange rates	**(51)**	**(340)**	**(313)**	**(32)**	**(736)**
Amortization expenses	**—**	**(1,223)**	**(1,935)**	**(307)**	**(3,465)**
Balance at January 31, 2021	**5,701**	**39,328**	**15,512**	**1,682**	**62,223**
As at January 31, 2021					
Cost	**5,701**	**61,732**	**43,249**	**6,561**	**117,243**
Accumulated amortization	**—**	**(22,404)**	**(27,737)**	**(4,879)**	**(55,020)**
Net book value	**5,701**	**39,328**	**15,512**	**1,682**	**62,223**

For the fiscal year ended January 31, 2021, the amortization of property, plant and equipment totalled $3,465,000 ($3,387,000 for the fiscal year ended January 31, 2020) of which $3,110,000 is included in the cost of goods sold, and $355,000 is included in the selling and administrative expenses (respectively $3,020,000 and $367,000 for the fiscal year ended January 31, 2020).

The book value of the property, plant and equipment under construction and not amortized stood at $356,000 as at January 31, 2021 ($425,000 as at January 31, 2020). These amounts were mainly related to additions made to the Corporation's facilities in Terrebonne, Quebec, and in Great Falls, Montana.

NOTE 7 LEASE AGREEMENTS

7.1 Right-of-Use Assets

During the fiscal year ended January 31, 2021, the Corporation entered into lease agreements relating primarily for office spaces, equipment and rolling stock. The net book value of the right-of- use assets, are as follows:

	Land	Buildings and Improvement to Land	Office Space	Equipment and Overhead Cranes	Office Furniture, Rolling Stock and Computer Hardware	Total
(In thousands of CA$)	$	$	$	$	$	$
As at February 1, 2019						
Cost	1,638	23,225	189	—	1,136	26,188
Accumulated amortization	—	(2,913)	—	—	(58)	(2,971)
Net book value	1,638	20,312	189	—	1,078	23,217
New leases	—	—	350	299	739	1,388
Disposal of leases	—	—	—	—	(17)	(17)
Amortization expenses	—	(552)	(145)	(4)	(225)	(926)
Effect of fluctuations in exchange rates	12	140	4	2	(2)	156
Balance as January 31, 2020	1,650	19,900	398	297	1,573	23,818

	Land	Buildings and Improvement to Land	Office Space	Equipment and Overhead Cranes	Office Furniture, Rolling Stock and Computer Hardware	Total
(In thousands of CA$)	$	$	$	$	$	$
As at January 31, 2020						
Cost	1,650	23,382	543	301	1,854	27,730
Accumulated amortization	—	(3,482)	(145)	(4)	(281)	(3,912)
Net book value	1,650	19,900	398	297	1,573	23,818
New leases	—	—	—	—	**629**	**629**
Disposal of leases	—	—	—	—	**(234)**	**(234)**
Amortization expenses	—	**(504)**	**(178)**	**(12)**	**(307)**	**(1,001)**
Effect of fluctuations in exchange rates	**(57)**	**(658)**	**(6)**	**(10)**	**(3)**	**(734)**
Balance as January 31, 2021	**1,593**	**18,738**	**214**	**275**	**1,658**	**22,478**
As at January 31, 2021						
Cost	**1,593**	**22,582**	**524**	**291**	**2,171**	**27,161**
Accumulated amortization	—	**(3,844)**	**(310)**	**(16)**	**(513)**	**(4,683)**
Net book value	**1,593**	**18,738**	**214**	**275**	**1,658**	**22,478**

For the fiscal year ended January 31, 2021, the amortization of right-of-use assets totalled $1,001,000 ($926,000 for the fiscal year ended January 31, 2020), of which $491,000 is included in the cost of goods sold, and $510,000 is included in selling and administrative expenses ($454,000 and $472,000 respectively for the fiscal year ended January 31, 2020).

7.2 **Lease Liabilities**

The balance of lease liabilities is detailed as follows:

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Current portion	**1,143**	1,070
Non-current portion	**4,166**	4,930
	5,309	6,000

The most important of these liabilities was contracted on April 18, 2014, by a subsidiary of the Corporation from a U.S. government agency. This loan was structured according to a sale and leaseback contract, resulting in a lease liability in the amount of US$4,999,800. This liability bears a below-market interest rate of 1.98%, and was measured at fair value based on the prevailing market interest rate. Consequently, 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.

The capital of this liability is repayable in equal monthly installments estimated at US$28,000 began in May 2014 and ending in May 2029, with a bargain purchase option for of $10. This lease is also subject to certain covenants, including covenants related to job creation.

This lease 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, At the date hereof Management believes there is no reasonable assurance that this asset will be realized, and consequently no asset related to these investment tax credits were recorded as at January 31, 2021 and 2020.

7.3 **Amounts Recognized in the Consolidated Statements of Income (Loss)**

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Expenses relating to leases of low-value assets or short-term	—	62
Interest on lease liabilities (Note 19)	**258**	256

NOTE 8 INTANGIBLE ASSETS

	Total
(In thousands of CA$)	$
As at February 1, 2019	
Cost	10,643
Accumulated amortization	(7,331)
Net book value	3,312
Acquisitions	452
Amortization expenses	(410)
Balance at January 31, 2020	3,354
As at January 31, 2020	
Cost	9,187
Accumulated amortization	(5,833)
Net book value	3,354
Acquisitions	**361**
Amortization expenses	**(449)**
Balance at January 31, 2021	**3,266**
As at January 31, 2021	
Cost	**9,547**
Accumulated amortization	**(6,281)**
Net book value	**3,266**

As at January 31, 2021 and 2020, all intangible assets were subject to amortization and were mostly comprised of in-house software development. The remaining weighted average amortization period of intangible assets was seven (7) years as at January 31, 2021.

For the fiscal year ended January 31, 2021, amortization of intangible assets totalled $449,000 ($410,000 for the fiscal year ended January 31, 2020) of which $112,000 is included in the cost of goods sold, and $337,000 is included in selling and administrative expenses (respectively $112,000 and $298,000 for the fiscal year ended January 31, 2020).

NOTE 9 OTHER NON-CURRENT ASSETS

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Investment tax credits	**1,332**	1,332
Other	**56**	111
	1,388	1,443

NOTE 10 CREDIT FACILITIES

10.1 Canadian Operating Credit Facility

On February 28, 2020, the Corporation obtained an increase in its credit facility, which increased from $20,000,000 to $30,000,000 at that date. This credit facility was renewed on September 28, 2020, with no change in terms. The available amount of $30,000,000 is subject to a monthly margination calculation on accounts receivable and inventory, thus limiting the amount of the eligible credit facility. Taking into account this calculation and the letter of credit issued for US$3,419,000 ($4,445,200) as security for two long-term debts, the available balance of this credit facility as at January 31, 2021, was $25,410,000. As at January 31, 2021, no amount was drawn from the credit facility ($13,105,000 as at January 31, 2020).

This credit facility bears interest at the bank's prime Canadian rate plus 1.0%. This credit facility is secured by inventories and accounts receivable, excluding holdbacks receivable.

This credit agreement contains covenants that, among other things, require the Corporation to maintain certain financial ratios, which were all respected as at January 31, 2021.

10.2 U.S. Revolving Credit

In November 2020, the Corporation renewed the revolving credit agreement with a U.S. bank. This renewal, without changing the terms, raises the limit available to US$2,018,360 compared with US$1,560,700 as at January 31, 2020. This credit is renewable annually and may also be used for the issuance of letters of credit.

As at January 31, 2021 and 2020, this revolving credit was unused.

This revolving credit facility bears LIBOR (US$) one-month interest rate, plus 2.0%, and is subject to the same guarantees as the long-term bank loan (see Note 12).

NOTE 11 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Accounts payable	**12,124**	15,365
Salaries and fringe benefits payable	**6,371**	4,622
Accrued liabilities	**12,657**	8,626
Share-based compensation (Note 13)	**1,891**	905
Indirect taxes	**1,519**	1,270
	34,562	30,788

NOTE 12 LONG-TERM DEBT

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Bank loan, secured by a hypothec on the universality of all assets, movable and immovable, tangible and intangible, present and future of ADF Group Inc., the parent company. (1)	**17,082**	18,252
Bank loan secured by a first rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation and by a US$3,419,000 letter of credit (Note 10). This US-denominated loan amounted to US$1,112,000 as at January 31, 2021 (US$1,457,400 as at January 31, 2020). (2)	**1,421**	1,931
Secured term loan by a second rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation. This US-denominated loan amounted to US$297,000 as at January 31, 2021 (US$397,800 as at January 31, 2020). (3)	**379**	526
Bank loan secured by a US$3,419,000 letter of credit (Note 10). This US-denominated loan amounted to US$158,000 as at January 31, 2021 (US$264,300 as at January 31, 2020). (4)	**202**	350
Bank loan issued on May 5, 2020 and guaranteed by the SBA. This loan, denominated in US dollars, was in the amount of US$930,000 as at January 31, 2021 (5)	**1,188**	—
	20,272	21,059
Current portion	**1,904**	1,903
	18,368	19,156

(1) *This loan bears interest at the annual floating interest rate of the DBC, and is payable monthly. The balance of the debt was $17,159,000 as at January 31, 2021 ($18,335,000 as at January 31, 2020).*

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, 2021, the balance of the financing cost was $77,000 ($83,000 as at January 31, 2020).

(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%. The capital of this debt is repayable in monthly installments estimated at US$31,000 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%. The capital of this debt is repayable in monthly installments estimated at US$9,000 which began in November 2013 and will end in October 2023.*

(4) *In May 2017, a subsidiary of the Corporation contracted a new loan to finance the purchase of equipment for its fabrication plant in Great Falls, Montana. This US$520,000 loan from a U.S. bank has a 5-year term and bears an annual 3.84% fixed interest rate. The principal will be repaid by monthly installments of approximately US$9,000 began in July 2017 and ending in May 2022.*

(5) *On May 5, 2020, under the US Care Act and as part of a paycheck protection program, the US Small Business Administration (SBA) in response to COVID-19, the Corporation obtained two loans from a US bank totalling $5,654,000 (US$4,014,000). These loans are guaranteed by the SBA and was issued to two US subsidiaries. Under the original terms, the principal of these loans was to be repaid over two years. However, if certain conditions are met, these loans could be partially or fully forgiven.*

(a) *One of these loans, with an initial amount of US$3,045,000, met the conditions for full forgiveness. The Corporation has therefore recognized the cash received of US$3,045,000 as a government grant of $3,897,000 and was recognized as a reduction of the salaries expense in the Consolidated Statement of Income(Loss) for the Fiscal Year Ended January 31, 2021.*

(b) *As of the date hereof, no reasonable assurance has been established that these conditions will be met for the other loan in the original amount of US$969,000. This loan bears interest at a below market rate of 1% and has been measured at fair value using an estimated market rate of interest for similar financial instruments. Therefore, interest at the implied annual rate of 3.25% is calculated monthly. The difference of $52,000 (US$39,000) between this fair value of $1,313,000 (US$930,000) and the cash received in the amount of $1,365,000 (US$969,000), has been considered as a government assistance and recognized as a reduction in the wage cost. The monthly payments must begin from the date on which the pardon request will be refused by the SBA, estimated at four (4) monthly payments of $310,000 (US$242,000) starting in February 2022, ending in May 2022.*

Certain property, plant and equipment having a carrying value of $27,935,000 as at January 31, 2021, and $28,333,000 as at January 31, 2020, are pledged as collateral for the long-term debt.

As at January 31, 2021, the Corporation was in compliance with its covenants of its long-term loans and bonding agreements (See Note 24).

NOTE 13 CAPITAL STOCK

13.1 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 January 31, 2020 and 2021	**18,292,099**	**52,119**	**14,343,107**	**16,001**	**32,635,206**	**68,120**

13.2 Dividend

During the fiscal year ended January 31, 2021, the Corporation recognized, as distribution to its Shareholders of Record as at April 30, 2020 and September 30, 2020, semi-annual dividends totaling $326,000 and $327,000 respectively, each representing $0.01 per share, for a total of $653,000 or $0.02 per share, of which $367,000 for subordinate voting shares and $286,000 for Multiple Voting Shares. These sums were paid on May 15, 2020 and October 16, 2020, respectively.

During the fiscal year ended January 31, 2020, the Corporation recognized, as distribution to its Shareholders of Record as at April 30, 2019 and September 30, 2019, semi-annual dividends totaling $326,000 and $327,000 respectively, each representing $0.01 per share, for a total of $653,000 or $0.02 per share, of which $367,000 for subordinate voting shares and $286,000 for Multiple Voting Shares. These sums were paid on May 15, 2019 and October 16, 2019, respectively.

13.3 Stock Option Plan

At January 31, 2021, a total of 3,263,521 subordinate voting shares (idem as at January 31, 2020) were reserved for the Stock Option Plan, of which 1,564,921 at January 31, 2021 (1,514,921 as at January 31, 2020) 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. For the majority of these options, the right to exercise is acquired one year after the grant date, at the rate of 20% per year. All options have a 10-year life from the grant date.

As at January 31,	**2021**		2020	
	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	**55,000**	**1.82**	371,000	2.94
Expired	**(50,000)**	**1.88**	(156,000)	3.68
Forfeited	**—**	**—**	(160,000)	2.61
Outstanding, at the end	**5,000**	**1.21**	55,000	1.82
Exercisable, at the end	**5,000**	**1.21**	55,000	1.82

At January 31, 2021, the weighted average remaining contractual life of the options was 1.36 year.

13.4 Deferred Share Units Plan ("DSU")

a) **External Directors**

The DSU are re-evaluated at fair 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 years ended January 31, 2021 and 2020, DSU compensation to External Directors recorded in the Consolidated Statement of Income (Loss) amounted to an expense of $344,000 and $428,000 respectively, including the impact of the change in the market price of the Corporation's share, which amounted to an expense of $208,000 and $118,000, respectively during the fiscal years ended January 31, 2021 and 2020.

The fluctuation in DSU for External Directors was as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**464,467**	403,827
Granted	**155,054**	265,772
Distributed	**—**	(205,132)
Outstanding and vested, at the end of year	**619,521**	464,467

The carrying amount and the intrinsic value of the liabilities related to the External Directors vested DSU amounted to $985,000 as at January 31, 2021, ($641,000 as at January 31, 2020), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

b) **Executive Officers and Key Employees**

As set forth in the DSU Plan (as described in Note 2.15), the Corporation may grant DSU, on a discretionary basis, Executive Officers and key employees. These DSU usually vest gradually over a 2 to 5-year period, at a rate of 20% to 50% per year. The vested DSU will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are recognized progressively in the Consolidated Statement of Income (Loss) over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares.

The DSU compensation for Executive Officers and key employees, amounted to an expense of $125,000 for the fiscal year ended January 31, 2021 (an expense of $61,000 for the fiscal year ended January 31, 2020) and includes the impact of the change in the market price of the Corporation's share, which amounted to an expense of $43,000 during the fiscal year ended January 31, 2021 (an expense of $41,000 during the fiscal year ended January 31, 2020).

The fluctuation in DSU for the Executive Officers and key employees was as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**198,208**	272,444
Granted	**95,252**	2,332
Distributed	**—**	(67,465)
Forfeited	**—**	(9,103)
Outstanding, at the end of year	**293,460**	198,208
Vested, at the end of year	**174,125**	136,559

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to $386,000 as at January 31, 2021 ($264,000 as at January 31, 2020), is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, and of which $277,000 correspond to the intrinsic value of vested DSU as at January 31, 2021 ($188,000 as at January 31, 2020).

13.5 Performance Share Units Plan ("PSU")

During the fiscal year ended January 31, 2021, PSU compensation for Executive Officers and key employees (as described in Note 2.16) amounted to an expense of $529,000 (no amount for the fiscal year ended January 31, 2020) including the impact of the variation in the Corporation's share price, which amounted to an expense of $90,000 during the fiscal year ended January 31, 2021 (no impact from the variation in the Corporation's share price during the fiscal year ended January 31, 2020).

Fluctuations in PSU for Executive Officers and key employees were as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In number of performance share units)	**Number**	Number
Outstanding, at the beginning of year	**211,373**	—
Granted	**134,875**	211,373
Outstanding, at the end of year	**346,248**	211,373
Vested, at the end of year	**126,948**	—

As at January 31, 2021, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to $520,000 (no amount as at January 31, 2020), including an amount of $202,000, which corresponds to the intrinsic value of the vested PSU as at January 31, 2021.

NOTE 14 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations (1)		
Opening balance	**6,942**	6,648
Changes during the period	**(1,056)**	294
Closing balance	**5,886**	6,942

(1) 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 the loss of control of a foreign operation, the cumulative translation differences are reclassified to the Consolidated Statement of Income (loss) as part of the gain or loss on disposal.

NOTE 15 INFORMATION RELATED TO CONTRACTS WITH CUSTOMERS

All revenues recognized during the fiscal years ended January 31, 2021 and 2020, derived from contracts with customers and 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,	**2021**	2020
(In thousands of CA$)	**$**	$
Total amount of costs incurred and margins recorded on all ongoing contracts	**610,820**	524,635
Less advances and progress billings	**(625,308)**	(513,644)
	(14,488)	10,991

Recognized as follows:

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Amount owed by clients for work performed on contracts, recorded in contract assets	**8,790**	14,435
Amount owed to clients for work performed on contracts, recorded in contract liabilities	**(23,278)**	(3,444)
	(14,488)	10,991

Holdbacks on contracts amounted to $10,785,000 as at January 31, 2021, will be received at the time of the client's approval of the work performed during the next 12 months ($11,628,000 as at January 31, 2020) and are included in current assets in the Consolidated Statement of Financial Position.

In addition to the foreign exchange fluctuations, the variation in contract assets and liabilities is mainly attributable to additional revenues recognized within the Corporation's normal course of business, and the billing of these activities to customers. The Corporation also receive advances and deposits from its customers before revenues were recognized.

The Corporation determined that less than 5% of its total revenues from performance obligations, recorded during the fiscal year ended January 31, 2021, were earned during previous periods. These revenues are primarily attributable to price adjustments approved by customers during the fiscal year ended January 31, 2021, for services earned in prior fiscal years as per the Corporation's normal course of business.

In addition, revenues recorded during the fiscal year ended January 31, 2021, included the amount of $2,085,000 ($9,861,000 during the fiscal year ended January 31, 2020) as part of the opening balance of contract liabilities.

The amount of the transaction price related to performance obligations that were not fulfilled (or partially fulfilled) as at January 31, 2021, on all contracts with customers, is expected to be recognized in revenues as follows: 2022: $270,871,000 and thereafter: $165,286,000. It should be noted that these amounts exclude any estimated amounts of variable considerations that are excluded from the transaction price.

NOTE 16 CLASSIFICATION OF EXPENSES BY NATURE

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Raw material, consumables and subcontracting	**93,096**	89,069
Salaries and employees' benefit expenses (Note 17)	**37,087**	52,684
Transportation	**4,095**	6,041
Drafting and engineering	**7,149**	7,431
Amortization expenses	**4,915**	4,723
Travelling and representation expenses	**1,772**	3,299
Professional fees	**4,806**	5,488
Maintenance and repairs	**1,333**	1,298
Rental equipment	**614**	2,491
Electricity and heating	**1,262**	1,589
Management fees with related companies (Note 18)	**1,216**	1,401
Insurance	**1,735**	1,528
Taxes and permits	**1,068**	999
Office expenses	**746**	826
Other	**273**	341
	161,167	179,208

Distributed as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Cost of goods sold	**146,388**	163,203
Selling and administrative expenses	**14,779**	16,005
	161,167	179,208

Cost of goods sold is as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Cost of goods sold excluding amortization	**142,675**	159,617
Amortization of property, plant and equipment, intangible assets and right-of-use assets	**3,713**	3,586
	146,388	163,203

NOTE 17 SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits (1)	**26,819**	38,481
Social security costs	**7,326**	11,793
Pension plan contributions	**1,670**	1,634
Share-based compensation (Note 13)	**998**	491
Others	**274**	285
	37,087	52,684

(1) Net of government grants totaling $6,347,000 for the year ended January 31, 2021 see note 4 (no amount for the fiscal year ended January 31, 2020).

NOTE 18 EXECUTIVE OFFICERS' COMPENSATION

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

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Salaries and other short-term benefits	**1,953**	1,917
Social security costs	**210**	208
Management fees (1)	**1,216**	1,401
Pension plan contributions	**140**	129
Share-based compensation	**998**	493
Attendance fees	**274**	285
	4,791	4,433

(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 19 NET FINANCIAL EXPENSES

Net financial expenses were as follows:

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Interest on long-term debt	**938**	1,189
Interest on lease liabilities (Note 7)	**258**	256
Interest on credit facilities	**323**	484
Others	**144**	153
	1,663	2,082

NOTE 20 INCOME TAX

20.1 **Income Tax Expense**

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Current		
Income tax expense during the fiscal year	**740**	(137)
Deferred		
Unrecognized deferred income tax assets from the United States	**702**	515
Adjustments for prior fiscal years	**20**	41
Recognition and reversal of temporary differences	**690**	(273)
	1,412	283
Income tax expense	**2,152**	146

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

Fiscal Years Ended January 31,	**2021**		2020	
(In thousands of CA$ and in percentage)	**$**	**%**	$	%
Allowance using basic income tax rates	**2,390**	**26.5**	(528)	(26.6)
Increase (decrease) resulting from:				
Difference in rates for foreign subsidiaries	**(19)**	**(0.2)**	66	3.4
Non-taxable income related to the forgiveness of a COVID-19-related loan (Note 12)	**(968)**	**(10.7)**	—	—
Unrecognized deferred income tax assets from the United States (1)	**702**	**7.8**	515	25.9
Others	**47**	**0.5**	93	4.7
Income tax expense	**2,152**	**23.9**	146	7.4

(1) In light of the results of its U.S. subsidiaries, the Corporation has no recognized its new deferred income tax assets related to U.S. operations.

20.2 **Deferred Income Tax Assets and Liabilities**

The tables below provide the movement in deferred income tax assets and liabilities during the fiscal year, without taking into account the offsetting of the balances within the same tax jurisdiction:

a) **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, 2019	—	917	309	49	183	1,458
Recognized in the Consolidated Statement of Income (Loss)	364	(6)	74	(16)	313	729
Exchange differences	—	—	—	—	(11)	(11)
As at January 31, 2020	364	911	383	33	485	2,176
Recognized in the Consolidated Statement of Income (Loss)	**(364)**	**(361)**	**208**	**(33)**	**18**	**(532)**
As at January 31, 2021	**—**	**550**	**591**	**—**	**503**	**1,644**

b) **Deferred Income Tax Liabilities**

	Property, Plant and Equipment, Right-of-Use assets and Intangible Assets	Holdbacks on Contracts Receivable	Investment Tax Credits	Contract Assets	Foreign Exchange Forward Contracts	Total
(In thousands of CA$)	$	$	$	$	$	$
As at February 1, 2019	3,823	439	353	764	—	5,379
Recognized in the Consolidated Statement of Income (Loss)	399	578	—	35	—	1,012
As at January 31, 2020	4,222	1,017	353	799	—	6,391
Recognized in the Consolidated Statement of Income (Loss)	**440**	**673**	**—**	**(370)**	**137**	**880**
As at January 31, 2021	**4,662**	**1,690**	**353**	**429**	**137**	**7,271**

The deferred income tax assets and liabilities are presented as follows in the Consolidated Statements of Financial Position:

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Non-current deferred income tax assets	**1,644**	2,176
Compensation per fiscal jurisdiction	**(1,644)**	(2,176)
	—	—
Non-current deferred income tax liabilities	**(7,271)**	(6,391)
Compensation per fiscal jurisdiction	**1,644**	2,176
	(5,627)	(4,215)
Deferred income tax liabilities (net)	**(5,627)**	(4,215)

As at January 31, 2021, the Corporation had operating tax losses of $37,812,000 available in the United States ($33,334,000 as at January 31, 2020) which can be utilised in future periods, for which no deferred tax asset has been recognized. These losses carry forwards expire between 2024 and 2040.

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

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Beginning of fiscal year	**(4,215)**	(3,921)
Recognized in the Consolidated Statement of Income (Loss)	**(1,412)**	(283)
Effect of fluctuations in exchange rates	**—**	(11)
End of fiscal year	**(5,627)**	(4,215)

NOTE 21 EARNINGS PER SHARE

Diluted income 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,	**2021**	2020
Numerator (in thousands of CA$)		
Numerator applicable to basic and diluted earnings per share	**6,867**	(2,132)
Denominator (in thousands)		
Basic and diluted weighted average number of shares	**32,635**	32,635

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

During the fiscal years ended January 31, 2020 and 2021, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 22 SUPPLEMENTAL CASH FLOWS INFORMATION

22.1 Change in Non-Cash Working Capital Items

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

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Accounts receivable	**(11,378)**	(10,360)
Holdbacks on contracts	**508**	(5,491)
Contract assets	**5,236**	3,660
Inventories	**830**	554
Prepaid expenses and other current assets	**(922)**	74
Accounts payable and other current liabilities	**3,580**	13,597
Contract liabilities	**20,793**	(7,679)
Other	**(10)**	(10)
Change in non-cash working capital items	**18,637**	(5,655)

22.2 Changes in Liabilities Arising from Financing Activities

The following tables reconcile the beginning and ending balances of the consolidated statement of financial position for long-term debt, lease liabilities and credit facilities, including the current portion of long-term debt:

a) **Long-Term Debts**

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Balance, beginning of fiscal year	**21,059**	22,912
Repayment of long-term debt	**(1,918)**	(1,884)
Issuance of long-term debt	**5,654**	—
Government grants (Note 12)	**(3,949)**	—
Effect of fluctuations in exchange rates	**(574)**	31
Balance, end of fiscal year	**20,272**	21,059

b) **Lease Liabilities**

Fiscal Years Ended January 31,	**2021**	**2020**
(In thousands of CA$)	**$**	$
Balance, beginning of fiscal year	**6,000**	5,367
New leases	**637**	1,388
Disposal of leases	**(232)**	(17)
Payment	**(961)**	(771)
Effect of fluctuations in exchange rates	**(135)**	33
Balance, end of fiscal year	**5,309**	6,000

c) **Credit Facilities**

Fiscal Years Ended January 31,	**2021**	2020
(In thousands of CA$)	**$**	
Balance at the beginning of fiscal year	**13,105**	6,605
Net variation	**(13,105)**	6,500
Balance, end of fiscal year	**—**	13,105

NOTE 23 COMMITMENTS

As at January 31, 2021, the Corporation's commitments totalled $180,000 under long-term contracts with suppliers for the current and future services provided. The minimum annual payments due are spread over the next two (2) fiscal years and are as follows:

Fiscal Years Ended January 31,	**2022**	**2023**
(In thousands of CA$)	**$**	**$**
Long-term contracts	**113**	**67**

NOTE 24 CONTINGENCIES

24.1 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 accounts receivable. The bonding issued on the ongoing projects as at January 31, 2021, stood at $438,750,000.

24.2 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, 2021, 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.

NOTE 25 PENSION PLANS

The Corporation offers to all eligible employees defined contribution pension plans in Canada and the United-States (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 $802,000 during the fiscal year ended January 31, 2021 ($777,000 in the fiscal year ended January 31, 2020).

NOTE 26 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 and lease liabilities, including current portion, and short-term bank loans, where appropriate.

The Corporation has not made any changes 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 of the credit facilities and long-term debt including lease liabilities, net of cash and cash equivalents, to shareholders' equity" ratio. This ratio measures the level of the credit facilities and long-term financing including lease liabilities, net of cash and cash equivalents, in relation to the capital invested by shareholders. This financial indicator does not have standardized meaning as prescribed by IFRS and therefore may not be comparable to similar measurements presented by other issuers.

As at January 31,	**2021**	2020
Total credit facilities and current portion and long-term debt and lease liabilities, net of cash and cash equivalents (In thousands of CA$)	**7,775**	36,181
Shareholders' equity (In thousands of CA$)	**99,565**	94,407
Total credit facilities and current portion and long-term debt and lease liabilities, net of cash and cash equivalents, to shareholders' equity ratio	**0.08 :1**	0.38 :1

The Corporation's goal is to maintain a positive ratio of 0.50:1 or less. Moreover, this goal could be revised in light of developing projects that will be considered strategic and conducive.

NOTE 27 FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to market risks (Section 27.1), credit and credit concentration risks (Section 27.2), and liquidity risks (Section 27.3).

27.1 **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.

A description of the main financial risks to which the Corporation is exposed is provided below:

a) **Foreign Exchange Risk**

The Corporation is exposed to exchange rate fluctuations between the Canadian and US dollar, since a significant portion of its revenues is generally recorded in US dollars. For the year ended January 31, 2021, 81% of the Corporation's revenues were recorded in US dollars (92% during the fiscal year ended January 31, 2020). 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 US dollars when possible to avail itself of a natural hedging;
— Acquiring fabrication equipment in US dollars;
— Issuance of long-term debt in US 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.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts.

As at January 31, 2021, the Corporation was party to foreign exchange forward contracts for the sale of US$24,058,000 (US$50,568,000 as at January 31, 2020) with maturities varying between three (3) months to nine (9) months with rates between 1.2763 and 1.3412 (between 1.3005 and 1.3415 as at January 31, 2020). 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.

For this purpose, the fair value of foreign exchange forward contracts recorded in current liabilities under "Derivative Financial Instruments" was $517,000 as at January 31, 2021, and $123,000 as at January 31, 2020. During the fiscal year ended January 31, 2021, a realized and unrealized gain of $946,000 (a realized and unrealized loss of $174,000 for the fiscal year ended January 31, 2020, was recorded in the Consolidated Statement of Income (Loss) under the item "Foreign Exchange (Gain) Loss").

The following table summarizes significant non-derivative financial assets and liabilities that are subject to a foreign currency exposure as at January 31, 2021 and 2020, and whose foreign currency exposure is recognized in income:

As at January 31,	**2021**	2020
(In thousands of US$)	**$**	$
Financial assets		
Cash and cash equivalents	**1,390**	47
Accounts receivable	**10,080**	13,331
Holdbacks on contracts	**3,139**	2,844
Current advances to subsidiaries (1)	**20,397**	22,848
	35,006	39,070
Financial liabilities		
Accounts payable and other current liabilities	**6,016**	4,771
	6,016	4,771
Net exposure	**28,990**	34,299

(1) Although these balances are eliminated in the Consolidated Statement of Financial Position, the effects of currency fluctuations are recorded in net income (loss).

Based on the balance, as at January 31, 2021, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and US dollars, while all other variables remaining constant, would have an impact of $630,000 on net income before tax (a non-material impact for the year ended January 31, 2020).

b) **Interest Rate Risk**

The Corporation is exposed to interest rate fluctuations mainly because of the floating interest rate of its credit facilities and a portion of its long-term debt, where applicable (Notes 10 and 12). 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, 2021 and 2020, the use of interest rate swap was no longer required to hedge the interest rate risk, given that the balance of the long-term debt, including the short-term credit facilities, included a reasonable combination of fixed and floating interest rates.

Based on the balance of the floating interest rate debt as at January 31, 2021 and 2020, the impact of an upward or downward 0.5% change in interest rates, assuming all other variables remain constant, would have had an immaterial impact on the Corporation's net income (loss) over a horizon of 12 months.

27.2 **Credit and Credit Concentration Risks**

a) **Credit Risk**

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

b) **Credit Concentration Risk**

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

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

Cash equivalents are usually risk-free or low risk investments. Where this is the case, the Corporation deposit its cash equivalents with recognized financial institutions, the most important of which are Canadian chartered banks.

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients, declares their contracts directly to the owner and when relevant, to the bonding company involved in the project. Finally, the Corporation establishes allowances for credit losses, if applicable, using the expected credit losses to estimate this allowance. This method takes into account the credit risks of its customers, the expected life of these financial assets, historical trends and economic conditions.

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 at January 31, 2021, 4% of accounts receivable, representing $1,958,000 (14% or $5,392,000 as at January 31, 2020) was overdue under contractual terms (over 90 days). Management believes that most of these accounts are with established corporations or were cashed since, and therefore, the Corporation does not believe that it is exposed to an unusual or significant level of risk as at January 31, 2021 and 2020.

As previously described, credit risk arising from the concentration of its clients is also mitigated through monitoring and the measures available to the Corporation. January 31, 2021, 63% of accounts receivable was concentrated with three (3) clients (47% of accounts receivable attributable to two (2) clients as at January 31, 2020). It should be noted that given the specialization of its market niches and the nature of the contracts that the Corporation submits bids for, such concentration regularly occurs in the Corporation's activities.

27.3 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, 2021, the maturity analysis of financial liabilities was as follows:

	Book Value as at January 31, 2021	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	**34,562**	**34,562**	**—**	**—**	**—**	**34,562**
Long-term debt						
Principal	**20,272**	**1,909**	**4,811**	**2,353**	**11,276**	**20,349**
Interest		**864**	**1,531**	**1,213**	**2,643**	**6,251**
Lease liabilities						
Principal	**5,309**	**1,143**	**1,568**	**1,084**	**1,514**	**5,309**
Interest		**206**	**288**	**180**	**119**	**793**
	60,143	**38,684**	**8,198**	**4,830**	**15,552**	**67,264**

As at January 31, 2020, the maturity analysis of financial liabilities was as follows:

	Book Value as at January 31, 2020	Less than 1 year	From 1 to 3 Years	From 4 to 5 Years	More than 5 years	Total
(In thousands of CA$)	$	$	$	$	$	$
Credit facilities	13,105	13,105	—	—	—	13,105
Accounts payable and other current liabilities	30,788	30,788	—	—	—	30,788
Long-term debt						
Principal	21,059	1,909	3,808	2,972	12,453	21,142
Interest		950	1,648	1,338	3,221	7,157
Lease liabilities						
Principal	6,000	1,070	1,837	1,090	2,003	6,000
Interest		244	342	223	203	1,012
	70,952	48,066	7,635	5,623	17,880	79,204

Balances in US dollars and/or subject to floating interest rates are established based on the relevant spot rates at the respective dates.

NOTE 28 FINANCIAL INSTRUMENTS

28.1 Categories for Measurement

The next table provides the book value per class of financial instruments:

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Financial assets at amortized cost		
Cash and cash equivalents	**17,806**	3,983
Accounts receivable	**50,234**	39,555
Holdbacks on contracts	**10,785**	11,628
	78,825	55,166
Financial assets at fair value through net income		
Derivative financial instruments	**517**	—
	517	—
Financial liabilities at fair value through net income		
Derivative financial instruments	**—**	123
	—	123
Financial liabilities to amortized cost		
Credit facilities	**—**	13,105
Accounts payable and other current liabilities (1)	**24,781**	23,991
Long-term debt (2)	**20,272**	21,059
	45,053	58,155

(1) Excludes amounts due for statutory liabilities, employee benefits and share-based payments.
(2) Excludes lease liabilities.

As at January 31, 2021 and 2020, given the upcoming maturity dates of cash and cash equivalents, accounts receivable, other current assets, holdbacks on contracts, contract assets, credit facilities, accounts payable and other current liabilities, as well as contract liabilities, their fair value was approximately equal to their book value.

The fair value of the long-term debt (excluding the lease liabilities) did not differ significantly from its book value as at January 31, 2021 and 2020, as the effective interest rates reflect current market conditions.

28.2 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).

For all financial instruments measured at fair value, the Corporation classified fair value measurements at level 2, as they are primarily based on observable data other than in an active market.

NOTE 29 SEGMENTED INFORMATION

The Corporation operates one operational sector, being, the nonresidential construction industry, primarily in the United States and Canada. This sector includes the following areas of expertise: 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,	**2021**	2020
(In thousands of CA$)	**$**	$
Revenues		
Canada	**32,025**	13,906
United States	**140,568**	165,804
	172,593	179,710

As at January 31,	**2021**	2020
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**46,794**	48,281
United States	**42,561**	45,301
	89,355	93,582

(1) The non-current assets mainly include property, plant and equipment, intangible assets, right-of-use 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, 2021, 66% of the Corporation's revenues was realized with three (3) clients, each representing 10 % and more of its revenues (72% with four (4) clients during the fiscal year ended January 31, 2020).

The following table presents the breakdown of revenues for each of these clients:

Fiscal Years Ended January 31,	**2021** (1)	2020 (2)
(In thousands of Canadian dollars)	**$**	$
Client A	—	20,518
Client B	—	32,812
Client C	—	43,415
Client D	—	31,894
Client E	**63,613**	—
Client F	**28,141**	—
Client G	**21,517**	—
	113,271	128,639

(1) All from the United States, except for an amount of $21,517,000 from Canada.
(2) All from the United States.

NOTE 30 SUBSEQUENT EVENT

Dividend

On April 7, 2021, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share payable on May 17, 2021 to shareholders of record as at April 30, 2021.

INFORMATION TO SHAREHOLDERS

Annual Meeting of Shareholders

Date: **Wednesday, June 9, 2021, at 11:00 a.m. (EST)**
ADF Group Inc.
300, Henry-Bessemer, Terrebonne (Quebec) J6Y 1T3 Canada

ADF Group Inc.'s Annual Shareholders' Meeting will be held via **webcast**.

The details and the link to the webcast will become available on the Corporation's website at **www.adfgroup.com** in the weeks leading up to the Shareholders' Meeting.

Investor Relations

ADF Group Inc.
300, Henry-Bessemer, Terrebonne, Quebec J6Y 1T3 Canada
T. (450) 965-1911 ▪ F. (450) 965-8558 ▪ Email: infos@adfgroup.com

Computershare
1500 Robert-Bourassa, Suite 700, Montreal (Quebec) H3A 3S8 Canada
T. (514) 982-7888 ▪ F. (514) 982-7974

Annual Information Form for the Fiscal Year Ended January 31, 2021

Available at the Corporation's headquarters, as well as on the websites of ADF Group Inc. (www.adfgroup.com) and SEDAR (www.sedar.com).

Stock Information

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

At the date hereof, there were 18,292,099 subordinate voting shares issued and outstanding.

CORPORATE INFORMATION

Head Office:
ADF Group Inc.
300 Henry-Bessemer
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Independent Auditor:
PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West
Suite 2500
Montreal, Quebec, Canada H3B 4Y1

Financial Institution:
National Bank of Canada
600 De la Gauchetière Boulevard West
Montreal, Quebec, Canada H3B 4L2

Main Subsidiary:
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Great Falls, Montana, USA
Pompano Beach, Florida, USA

Transfer Agent and Registrar:
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Montreal, Quebec, Canada H3A 3S8

Law Firm:
Fasken Martineau DuMoulin, LLP
Exchange Tower, 800 Square Victoria,
Suite 3400
Montreal, Quebec, Canada H4Z 1E9

Board of Directors and Committees

(1) Member of the Audit Committee (2) Member of the Compensation, Nominating and Governance (CNG) Committee

Jean Paschini
Co-Chair of the Board of Directors and Chief Executive Officer,
ADF Group 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

Antonio P. Meti, B. Comm. (1) (2)
Co-Chair of the Board of Directors and Independent Board Leader of ADF Group Inc.,
President, G.D.N.P. Consulting Services Inc.

Michèle Desjardins, MBA, F.Adm.A, C.M.C., IAS.A. (1) (2)
CNG Committee Chair, ADF Group Inc.
President and Founder, Koby Consulting Inc.
Senior Partner, Lansberg Gersick & Associates, LLC

Frank Di Tomaso, FCPA, FCA, IAS.A (1) (2)
Audit Committee Chair, ADF Group Inc.
Corporate Director

Management Committee of ADF Group Inc.

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

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Ce document est aussi disponible en français.

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