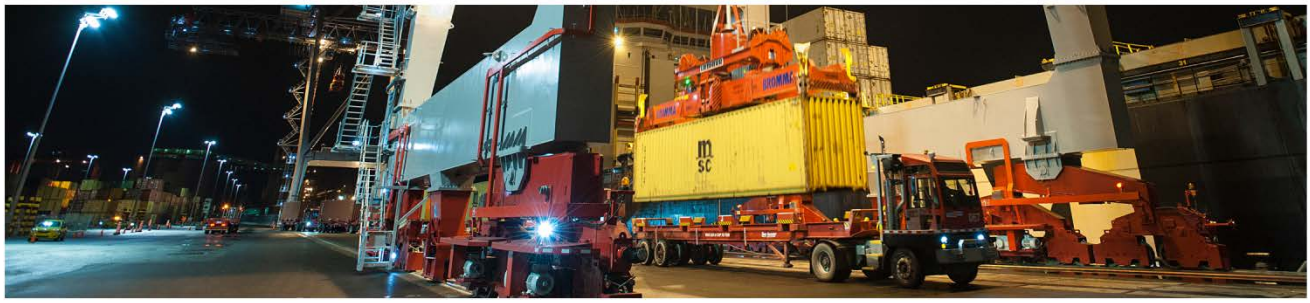
2016
Annual Report

LOGISTEC



2016 Financial Highlights

(in thousands of dollars, except where indicated)	**2016**	2015	2014	2013	2012	**Variation 15-16 %**	**Variation 12-16 %**
Financial Results							
Revenue	**343,326**	358,008	322,220	298,300	250,860	**(4.1)**	**36.9**
EBITDA [(1)]	**42,034**	56,321	55,557	57,297	37,586	**(25.4)**	**11.8**
Profit for the year [(2)]	**18,858**	29,142	31,037	27,522	15,907	**(35.3)**	**18.6**
Financial Position							
Total assets	**355,860**	328,415	286,987	239,306	216,856	**8.4**	**64.1**
Working capital	**75,745**	71,717	58,992	55,374	44,812	**5.6**	**69.0**
Long-term debt (including the current portion)	**60,325**	32,079	29,268	5,632	21,987	**88.1**	**174.4**
Equity [(2)]	**201,383**	189,413	163,501	151,891	126,005	**6.3**	**59.8**
Per Share Information [(3) (4)]							
Profit for the year [(2)] ($)	**1.48**	2.34	2.46	2.13	1.23	**(36.9)**	**20.2**
Equity [(2)] ($)	**15.77**	15.20	12.96	11.78	9.69	**3.7**	**62.8**
Outstanding shares (weighted average in thousands)	**12,768**	12,458	12,617	12,894	13,004		
Share price as at December 31							
Class A Common Shares ($)	**38.00**	44.01	49.00	30.00	12.25		
Class B Subordinate Voting Shares ($)	**35.10**	38.00	41.00	27.50	12.25		
Dividends declared per share							
Class A Common Shares [(5)] ($)	**0.3000**	0.2750	0.9800	0.1950	0.1775		
Class B Subordinate Voting Shares [(5)] ($)	**0.3300**	0.3025	1.0780	0.2145	0.1953		
Financial Ratios							
Return on average equity [(2)]	**9.65%**	16.52%	19.68%	19.81%	13.20%		
Profit for the year / revenue	**5.49%**	8.14%	9.63%	9.23%	6.34%		
Long-term debt / capitalization [(6)]	**23%**	14%	15%	4%	15%		
Price / earnings ratio (Class B Subordinate Voting Shares)	**23.76**	16.24	16.66	12.88	10.00		

(1) *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest expense, income taxes, depreciation and amortization expense, and customer repayment of investments in service contracts*

(2) *Attributable to owners of the Company*

(3) *For earnings per share per class of share, please refer to the "Selected Quarterly Information" table on page 25*

(4) *All per share information has been adjusted to reflect the two-for-one stock split of June 2014*

(5) *On May 7, 2014, the Company declared a special dividend of $0.75 per Class A Common Share and $0.83 per Class B Subordinate Voting Share, for a total consideration of $9.9 million*

(6) *Capitalization equals long-term debt (including the current portion) plus equity attributable to owners of the Company*

Results for 2016

Results for 2016 were below our expectations, especially in the first three quarters, where we experienced reduced business activity. Fortunately, activity picked up during the last quarter, where we had record results, but certainly not enough to make up for three weak quarters.

Total revenue reached $343.3 million, down by 4.1% while profit for the year closed at $18.9 million. This decline stemmed from several factors that were largely linked to decreased activity, affecting both our marine and environmental services segments. It is also important to note the significant impact of non-operating charges and gains that were incurred and to compare them with 2015. These amount to a negative variation of $5.9 million compared with 2015. They include a foreign exchange negative variance of $4.3 million in 2016 versus 2015, and a non-recurring gain of $1.9 million due to a favourable court judgment in 2015.

Marine Services

In 2016, our cargo handling results were affected by a number of headwinds, namely lower bulk volumes, particularly with respect to mining and biomass, as well as inefficiencies resulting from a fire in the previous year, the loss of an important customer in Sept-Îles (QC) and the start-up of our new container terminal in Montréal (QC).

The difficult economic context, notably in the mining sector due to the significant drop in commodity prices, has continued to affect the level of bulk volumes transiting our facilities. Activity on the Lower North Shore (QC) linked to iron ore and other projects was down significantly. We also experienced lower revenue in our other bulk facilities in Canada. Furthermore, we were affected by lower volumes of wood pellets at our specialized Brunswick (GA) facility. This was partially due to reduced imports in European markets. More importantly, our facility suffered a large fire in 2015, and we were rebuilding our storage facilities and conveyor system throughout 2016, which led to poor productivity and an inability to handle inbound rail volumes. The facility is now fully rebuilt, and we expect to regain our efficiency in 2017.

In 2016, our break-bulk terminals improved their financial and operational performance by handling increased volumes of project cargo, forest products and steel. This largely made up for the loss of an important contract in Sept-Îles (QC).

Volumes were stable in our container business, in the ports of Montréal (QC) and Saint John (NB). However, operations were affected by the start-up of our new container terminal in Montréal (QC), where construction and temporary equipment added costs to our operation. This challenge was expected as we were operating while awaiting delivery of cranes and terminal equipment. Most of the equipment was delivered by the fall, and the terminal is now fully operational. The final portion of this project is the gate complex, which should be completely functional by the summer of 2017.

On a positive note, some of our terminals had record results in 2016, but these increases were not enough to fully offset the headwinds. We were also pleased to see improved activity in the last quarter of 2016, where revenue for cargo handling returned to the levels seen in 2015. Profit reached a record level based on our cargo mix and lower costs. This bodes well for a return to improved activities in our terminal network.

In 2016, we continued to invest in our health, safety and environmental systems in order to enhance safety in our workplace and environmental compliance throughout our facilities. Our entire management team has been engaged to make this a priority every day. We believe nothing is more important than working safely and sustainably with the proper mindset, and this is the base on which we grow our business.

Our marine transportation business, which operates under the acronym NEAS, had a year similar to 2015. This coastal shipping service is managed through a joint venture with The North West Company Inc., Makivik Corporation, and several smaller local Inuit partners. Our vessels made 11 voyages with over 100 visits to 46 northern communities, mines and sites. NEAS generates meaningful participation for local Inuit in the essential marine transportation business, including local training, employment, job promotion and vital ownership opportunities.

Environmental Services

The highlight of 2016 was the agreement to purchase the minority shares in Sanexen. This business is now a fully integrated member of the Logistec family and will have all of our resources at its disposal to develop its services.

Despite a slight increase in revenue, which rose from $151.5 million to $157.3 million, profit before income taxes dropped significantly from $17.5 million to $9.5 million in 2016. This decline is largely due to temporary market conditions, as Sanexen enjoys a strong position in its three main markets.

In site remediation, our traditional market, we are unquestionably the number one player in Eastern Canada. In 2016, we not only completed the site remediation of a former aluminium smelter in Shawinigan (QC) and the environmental dredging of Sandy Beach (QC) in Gaspésie, but also continued the decontamination of part of a refinery site in Varennes (QC), disposed of contaminated soil from the Turcot Interchange and Champlain Bridge construction sites in Montréal (QC), and carried out many other projects.

As for water main rehabilitation, despite the downturn observed in Québec, the market remained robust in Ontario, and we continued to advance our penetration in the U.S. market. On a global level, our Australian licensee experienced some setbacks, and its first installations should be performed in 2017.

With regards to the manufacturing of woven hoses, Niedner had an excellent year, selling a record number of fire hoses to the U.S. Forest Service and continuing production and development of our Aqua-Pipe lining.

In 2016, we acquired Excava-Tech Inc., our main subcontractor for Aqua-Pipe excavation work in Québec, for $5.6 million. This acquisition completes our vertical integration from inventor to manufacturer to installer.

We also acquired a small firm in Rouyn-Noranda (QC) in Abitibi, which is specialized in mining site revegetalisation. This acquisition not only secures our position in this important mining region, but also expands the range of services offered to this clientele.

Sanexen's revenue accounted for 46% of Logistec's revenue in 2016 (42% in 2015).

Financial Position

Logistec continues to enjoy a healthy financial position. In 2016, total assets rose to $356 million from $328 million a year earlier, and working capital stood at $76 million. Long-term debt closed at $60 million.

Strategic Development Plan

Logistec is committed to developing its services in both the marine and environmental services segments.

In our marine services segment, Logistec is a leading provider of cargo handling services in Eastern Canada and a growing player on the U.S. East Coast. Through its joint venture Transport Nanuk, it offers coastal transportation services to the Eastern Arctic, serving close to 50 different communities. Logistec also offers marine agency services to foreign shipowners and operators calling eastern Canadian ports.

Cargo handling services occupy the largest revenue base in the marine services segment. Throughout its growing network of terminals, Logistec aims to be an innovative solutions-based service provider, bringing cargo handling, port logistics and other value-added services to industrial companies and carriers.

Our development plan for cargo handling is focused on strengthening and growing our network of facilities in North America. Over the last few years, we have succeeded in growing organically by targeting very specific growth markets, namely mining, biomass and port logistics.

Unfortunately, with the significant drop in commodity prices, the landscape for mining development has been negatively affected and is just beginning to recover. The turnaround is expected to be gradual, and we should see development opportunities in the coming years. On a brighter note, we recently received a new concession for the handling of bulk at the Port of Cleveland (OH), where we expect to handle some 3-4 million tonnes of iron ore and other bulk cargoes on an annual basis.

In biomass, we have rebuilt our facilities damaged by the fire in Brunswick (GA) and can now get back to our growth plan. We will immediately resume handling of all outbound movements for our main long-term customer, with the capacity to also seek new ones.

In our container business, our growth will be concentrated on Montréal (QC), where we inaugurated our new Viau terminal in late 2016. The first phase of this facility has a capacity of 350,000 TEUs, and an additional 250,000 TEUs will be developed in line with demand growth. This new terminal will provide our joint venture Termont with a total capacity of 1.1 million TEUs at the Port of Montréal (QC).

Although the economic environment is certainly difficult, with GDP growth at very low levels, we should be able to strengthen our Canadian gateway with new U.S. cargoes, while extending our geographic reach through the hub-and-spoke model of our customer MSC Group. This model allows them to competitively transload cargoes between North America and the rest of the world through the Port of Montréal (QC). As we no longer handle containers in Saint John (NB), we will work hard to retrieve and consolidate all eastern Canadian cargoes out of the Montréal gateway, thus eliminating the cost of an additional port call for our customer.

Our port logistics business in Montréal-Est (QC) is developing well. Here, we offer indoor and outdoor container stuffing and destuffing as well as transloading services via rail/container/truck. We are pleased with the progress made since we built our indoor storage and transloading facilities and are already looking at how we can further expand these service offerings. In Virginia, we had a difficult start to the year with low volumes from our existing customer base. However, we were able to diversify this base and end the year with solid volumes. We will continue to build on this more diverse customer base and are optimistic that progress will continue in 2017. We are also optimistic that we can continue to develop these services profitably based on the solid performance and growth of the Port of Virginia, as well as our unique service package, especially for companies requiring transloading to and from rail.

Given the more difficult economic environment for the industries we serve, we turned our energy to identifying potential acquisition opportunities. We were pleased to add Logistec Gulf Coast LLC to our family in early 2017. This newly formed company, in which we have a 70% interest, acquired the assets of Gulf Coast Bulk Equipment, Inc. It operates two terminal concessions out of the ports of Tampa and Port Manatee (FL). It also offers stevedoring services to bulk cargo importers and exporters in various terminals in the U.S. Southeast and Gulf of Mexico region, including Texas, Florida, Louisiana and along the Mississippi River.

Although 2016 was disappointing for our environmental services segment, we have laid the groundwork for a promising year in 2017.

We are already seeing a higher number of site remediation projects, and major improvement in the demand for our Aqua-Pipe technology in Québec, as well as a growing interest for this product in the USA. Started in 2014, the expansion of our Niedner plant in Coaticook (QC) will be completed in spring 2017

and the focus will be on growing our Aqua-Pipe business. The recovery of activities in the energy industry in the USA should also promote the sale of large-diameter hoses.

With more than $140 million, our backlog is strong and the number of tenders is high in our markets.

We will also continue to pursue acquisitions to ensure our growth.

Outlook

Our specialized industrial services are leaders in their individual fields. They have each developed the capacity to proactively understand the marketplace and generate opportunities based on real customer needs. This market intelligence has led to new markets for both our cargo handling and environmental services businesses. The ongoing desire to continue to build and to go beyond the status quo is in our culture, and is reflected in our teamwork, solutions-based customer orientation, professionalism and innovation. It also encompasses a long-term view for environmental sustainability, as well as the health and safety of our employees and those around us.

We provide value-added services for our collective future by facilitating international trade, serving our northern communities, cleaning our environment and protecting our drinking water.

Overall, we are committed and confident that we can continue to build our business based on our specialized services and expertise. Despite the continued difficult economic environment, our service offerings, our geographic diversity, and our ability to invest in growth opportunities should allow us to continue to increase our services in both the short and long term. Clearly, our success rests on the strength of our highly dynamic team of experts who are customer oriented and consistently bring value to an expanding customer base.

We take this opportunity to express our gratitude to our directors, employees, customers, shareholders, partners and other stakeholders. Your support and energy contribute to our success every day and are the foundation upon which we will continue to grow our business.

(signed) George R. Jones
George R. Jones
Chairman of the Board

(signed) Madeleine Paquin
Madeleine Paquin
President and Chief Executive Officer

March 17, 2017

Introduction

This management's discussion and analysis ("MD&A") of operating results deals with Logistec Corporation's operations, results and financial position for the fiscal years ended December 31, 2016 and 2015. All financial information contained in this MD&A and the attached audited consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this report, unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A should be read in conjunction with Logistec's audited consolidated financial statements and the notes thereon.

Our Business

Founded in 1952, Logistec Corporation is incorporated in the Province of Québec and its shares are listed on the Toronto Stock Exchange ("TSX") (ticker symbols LGT.A and LGT.B). The Company's consolidated revenue amounted to $343.3 million in 2016 ($358.0 million in 2015). The Company has earned a profit each year since going public in 1969 and posted a profit attributable to owners of the Company of $18.9 million in 2016, which works out to $1.48 per share ($29.1 million and $2.34 per share in 2015). The Company's largest shareholder is Sumanic Investments Inc.

The operations of Logistec Corporation, its subsidiaries and its joint ventures (collectively "Logistec", the "Company", "we", "us", or "our") are divided into two segments: marine services and environmental services.

Marine Services

Logistec provides specialized cargo handling and other services to a wide variety of marine and industrial customers. The Company is one of Eastern Canada's largest cargo handling companies and a growing player in the USA with revenue from its marine services segment amounting to $186.0 million. Marine services accounted for 54.2% of the Company's consolidated revenue in 2016. Our services also include marine transportation and marine agency services.

Cargo Handling

With a presence in 30 ports and 48 terminals in eastern North America, our Company specializes in handling all types of dry cargo, including bulk, break-bulk and containers. Cargoes handled typically consist of forest products, metals, dry bulk, fruit, grain and bagged cargoes, containers, general and project cargoes. We also offer container stuffing and destuffing, warehousing and distribution, and other value-added services to industrial customers. We provide short-line rail transportation in Cape Breton (NS), a value-added service to an existing contract with an important customer. Finally, we offer ancillary trucking services in Virginia and Ontario.

Our strategy is focused on diversifying our operations to cover a wide geographical area with a broad cargo mix and a blend of import-export activities. This helps minimize the impact of a negative situation affecting any one particular region or cargo type.

Our extended network of port terminals allows us to specialize our facilities and thereby tailor our services to our customers' specific cargo handling needs. This improves the quality of services, enhances operating efficiencies, lowers the risk of cargo damage, and ensures greater control over costs. In general, this strategy enables us to provide our customers with top-quality cost-competitive services.

We aim to be a choice operator, facilitating the movement of cargo for industrial customers as well as shipowners and operators.

Other Marine Services

Our other marine services include coastal transportation of cargoes to communities in the Canadian Arctic through our 50%-owned joint venture Transport Nanuk Inc. ("Nanuk"). Nanuk owns, in partnership with Inuit shareholders, four ice-class vessels and a 50% interest in NEAS Inc. In 2016, we served close to 50 communities in Nunavut and Nunavik. Nanuk's results are included in the Company's results using the equity method of accounting.

We also offer marine agency services to foreign shipowners and operators active in Canadian waters. A shipping agent is the local representative of a foreign shipping company and will usually take care of all routine tasks on its behalf. The agent ensures that essential supplies, crew transfer, customs documentation and waste declarations are all arranged with port authorities. The agency will ensure a berth for the incoming ship, obtain services for the pilot and organize the necessary contacts with the stevedores.

Environmental Services

The Company, through its subsidiary Sanexen Environmental Services Inc. ("Sanexen"), operates in the environmental sector. It provides services to industrial, municipal and other governmental customers for the trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

Operational since 1985, Sanexen became a subsidiary of Logistec Corporation in 1992. Logistec Corporation entered into an agreement to acquire the non-controlling interest in 2016 and now owns 100% of the voting shares of this company, as described later in this MD&A. Revenue from the environmental services segment amounted to $157.3 million in 2016, and accounted for 45.8% of the Company's consolidated revenue.

Aqua-Pipe

Sanexen has developed the Aqua-Pipe technology, a process involving structural lining with minimal excavation, for the rehabilitation of drinking water supply lines between 150 millimetres and 400 millimetres in diameter. Aqua-Pipe is a technology which creates a new structural pipe made of composite materials within aging pipes that have reached the end of their useful life.

Sanexen owns Niedner Inc. ("Niedner"), a manufacturer of woven hoses. Through Niedner, Sanexen manufactures the structural lining used in the Aqua-Pipe process as well as woven hoses destined for the fire-fighting market and the energy industry. Niedner also produces the resin that is part of the Aqua-Pipe installation process.

Sanexen either performs the installation of Aqua-Pipe itself or licenses the technology to specialized contractors. Developing, manufacturing and installing the product gives Sanexen a competitive advantage as it allows us to better understand all aspects of the product and its installation, and enables us to continue to improve the product and better assist our licensees. Our U.S. operations are handled through Sanexen Water Inc., with two offices, one in the east and the other in the west.

Using this technology, approximately 1,400 kilometres of water mains have been rehabilitated to date, directly or via licensees.

Other Environmental Services

Sanexen provides services for the characterization and remediation of sites as well as for risk assessment and for regulated materials management, and has carried out hundreds of projects involving a wide spectrum of decontamination issues. It offers turnkey solutions for the assessment of properties (phases I and II) and the clean-up of soils, groundwater, buildings, lagoons and underground tanks. Sanexen also analyzes and evaluates the human and environmental risks associated with contamination issues.

Mission and Development Strategy

"Logistec provides high-quality, specialized cargo handling and other services to its marine, industrial, and municipal customers through the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities.

Logistec will maximize shareholder value through its focus on customer service, operational excellence and a commitment to growth."

In cargo handling, Logistec is an innovative, solutions-based service provider in North America. We provide cargo handling, port logistics and other value-added services to industrial companies and carriers. Our growth strategy is based on organic growth and business acquisitions. We aim to maximize cargo handled through our existing network of terminals while also diversifying our cargo base, where appropriate, to avoid overexposure to any specific commodity or product. Management is always seeking new business opportunities, and potential investment projects are regularly analyzed. Such opportunities may include the acquisition of other operators, the addition of port facilities, outsourcing and providing turnkey solutions or value-added solutions for existing or new customers. We apply very strict evaluation criteria from both a financial and a strategic fit perspective to all our projects. Indeed, prior to proceeding with an acquisition, we make sure that the investment is accretive, that it provides the proper return from future sustainable cash flows and, if financing is needed, that our financial position continues to present an acceptable debt level and debt/capitalization ratio. We are striving to expand our geographical presence while maintaining a balanced portfolio of commodities or products handled. A potential business acquisition is pursued only if it will contribute to maximizing shareholder value. In recent years, we have prioritized projects in the mining, biomass and port logistics sectors.

Sanexen's long-term development strategy, while maintaining a strong focus on its traditional business (regulated materials management, site remediation and risk assessment), relies extensively on the development of Aqua-Pipe and the large potential of the North American market as well as, to a lesser extent, the international market. Through Niedner, Sanexen controls the research, development and production of the lining and resin, two of the key components in the Aqua-Pipe process. The development of large-diameter woven hoses for Aqua-Pipe is an important part of Sanexen's growth plan.

Performance Factors

Three performance factors are particularly important for the Company: a qualified and dedicated workforce, a reliable fleet of equipment and access to port facilities.

Our Personnel

Our employees are key to our successful business strategy, since they ensure optimal management of our facilities and efficient use of our fleet of equipment. Our success is a reflection of their skills.

We consider ourselves fortunate to count on a team of dynamic and qualified people to manage our operations despite a competitive job market. We have developed in-house programs to motivate, train and retain our employees, and we benefit from a low personnel turnover rate. We employ the equivalent of 1,572 people. This number is the full-time equivalent based on a forty-hour work week of all salaried and hourly employees, including longshoremen whose services are retained directly or under multi-employer jurisdictions as a complement to our direct employees. It also includes Sanexen's highly qualified employees, many of whom are university graduates, including some with masters and doctoral degrees. Sanexen's involvement in the environmental industry means that we require highly qualified personnel, as our solid reputation is based on our ability to attract and retain technical and professional staff.

Being mostly a service provider (as opposed to a manufacturing business), employee benefits expense is the most significant expense for the Company and represented $158.8 million or 46.2% of revenue in 2016 ($177.0 million or 49.4% of revenue in 2015). Please refer to Notes 8, 25 and 34 of the notes to 2016 consolidated financial statements (the "2016 Notes") and to page 16 of this MD&A for further details on employee compensation and benefits.

Fleet of Equipment

Specializing our port facilities enables us to deploy our equipment according to the particular cargo we handle. Each type of cargo requires unique methods and equipment to ensure safe and efficient handling.

Logistec has an impressive mix of equipment to handle bulk and break-bulk cargoes, as well as containers. We usually spend between $10 million and $15 million annually on equipment replacement. Such capital spending is in line with our annual depreciation charge. This practice allows us to maintain our production capacity and operational efficiency. In 2016, our consolidated capital expenditures were higher than usual at $32.2 million. Of this amount, $20.0 million was invested in updating or replacing aging equipment and $12.0 million consisted of investments in new projects.

Sanexen owns numerous weaving machines and, with a research and development team unique in its industry, has the ability to develop and adapt its woven-hose products to a wide variety of customers. Within Niedner, we own the plant housing these machines, which are used to manufacture Aqua-Pipe hoses, and where we produce resin, two key ingredients in our aqueduct rehabilitation services. In order to meet the growing demand for Aqua-Pipe technology, in 2014, Sanexen initiated a modernization and expansion of the Niedner plant to obtain better operating efficiency and increase production capacity. This project should be completed in 2017 for a total investment of $12.0 million.

Equipment and supplies constitute the second largest expense incurred by the Company as shown in the consolidated statements of earnings, and when combined with depreciation and amortization expense, totalled $116.9 million in 2016, which represents 34.1% of revenue ($103.3 million or 28.9% of revenue in 2015).

Access to Port Facilities

Access to port facilities is a key success factor for a cargo handling company. It is also a barrier to entry in this segment of our business. The number of port facilities with adequate characteristics (geographical location, draft, loading and warehousing capacity, access to land transportation, etc.) is limited, and such facilities are generally leased on a long-term basis. We are present in 30 ports and 48 terminals or port facilities in eastern North America.

We lease the port terminals where we operate and a majority of the warehouses we use. Most of our sites are under long-term leases, permitting us to invest in proper infrastructure. The rent may be a fixed monthly charge, a throughput fee based on tonnage handled, or a combination of both. We have access to thousands of square metres of dock space along with several kilometres of dock front.

In the Company's consolidated statements of earnings, rental expense, which includes rent on leased properties, municipal taxes and maintenance costs of our sites, is the third largest expense at $28.9 million or 8.4% of revenue in 2016 ($29.1 million or 8.1% of revenue in 2015).

Tracking Performance

In addition to a sophisticated accounting system that enables us to rigorously analyze the performance of each of our facilities and business units, we use a costing system that allows us to monitor our operations. We have developed a multitude of automated reporting and tracking tools that provide our managers with accurate and timely information, helping to optimize our operations.

Our senior management team meets once a month to discuss results, forecasts and development projects. This practice enables management to accurately assess results and development, and to allocate necessary resources as required in a timely manner.

In addition to these monthly meetings, senior management provides our Board of Directors and our Audit Committee with quarterly performance reports. The Audit Committee's members question management and hold regular in camera discussions with the independent auditor to ensure that publicly disclosed financial reports are accurate.

Finally, before any financial or regulatory information is issued to the public, it is reviewed by a Disclosure Committee composed of members of the Company's senior management, the President and Chief Executive Officer, and the Chairman of the Board.

Ability to Perform

We have achieved a profit every year since becoming a public company in 1969. Our history of success attests to our long-term financial stability and our ability to perform on a sustained basis in a changing environment.

Business Strategy

In the marine services segment, our business strategy is rooted in the diversification of the cargoes we handle, the wide geographical area covered by our facilities and a well-balanced mix of import and export activities. This strategy has proven particularly effective over the years, as we have seen fluctuations in mining, steel, forest products, containers and other cargo volumes, where negative situations are often offset by positive ones. In the environmental services segment, we have positioned ourselves as a leader in our traditional markets, and we are counting on the penetration of Aqua-Pipe services in the USA and international markets for future growth.

We have sound internal expertise as well as access to a qualified labour force, an efficient, well-maintained and well-deployed fleet of equipment, and a solid reputation in both cargo handling and environmental services. These features have earned the trust of our customers, suppliers and partners, and contribute to our growth.

Ability to Negotiate with Unions

The majority of the employees working for the Company are unionized. The longshoremen working on the docks have a long history of union activity, and over the years, we have proven our ability to negotiate directly or through employer associations and reach agreements with these unions. The Company is party to 26 collective agreements. We signed two agreements in 2016, while three were still being negotiated at the end of 2016 and six will expire in 2017.

Borrowing Capacity

Logistec generates positive operating cash flows. These reached $48.3 million and $60.2 million in 2016 and 2015, respectively, which is more than sufficient to cover our capital expenditures and working capital needs.

At the end of 2016, our total consolidated long-term debt, including the current portion, was $60.3 million, whereas our equity attributable to owners of the Company totalled $201.4 million, giving us a debt/capitalization ratio of 23.1%.

The Company has organized its banking facilities in order to segregate credits available to its wholly owned activities and subsidiaries from credits available to non-wholly owned subsidiaries and joint ventures. All credits available to non-wholly owned subsidiaries and joint ventures are without recourse to Logistec. Logistec has available credit facilities, including short-term and long-term facilities, totalling $104.6 million, of which $63.0 million were used (including letters of guarantee) as at December 31, 2016.

Please refer to Note 29 of the 2016 Notes for further details on long-term debt.

Joint venture available credit facilities totalled $65.9 million at the same date (representing 100% of the value, i.e. not our proportionate share), of which $58.8 million were used.

These figures demonstrate the Company's financial capacity and its ability to secure financial resources to ensure our performance and development over the long term.

Selected Annual Financial Information

years ended December 31
(in thousands of dollars, except earnings and dividends per share)

	2016	2015	2014	**Variation 15-16**	
	$	$	$	**$**	**%**
Revenue	**343,326**	358,008	322,220	**(14,682)**	**(4.1)**
Profit attributable to owners of the Company	**18,858**	29,142	31,037	**(10,284)**	**(35.3)**
Total basic earnings per share [(1)]	**1.55**	2.34	2.46	**(0.79)**	**(33.8)**
Total diluted earnings per share [(1)]	**1.48**	2.34	2.46	**(0.86)**	**(36.8)**
Total assets	**355,860**	328,415	286,987	**27,445**	**8.4**
Total non-current liabilities	**102,549**	64,674	60,400	**37,875**	**58.6**
Cash dividends per share:					
– Class A shares [(2) (4)]	**0.3000**	0.2625	0.9700		
– Class B shares [(3) (4)]	**0.3300**	0.2888	1.0670		
Total cash dividends	**3,814**	3,408	12,748		

(1) *Combined for both classes of shares*
(2) *Class A Common Shares ("Class A shares")*
(3) *Class B Subordinate Voting Shares ("Class B shares")*
(4) *On May 7, 2014, the Company declared a special dividend of $0.75 per Class A share and $0.83 per Class B share, for a total consideration of $9.9 million*

2016 versus 2015

Revenue was down by 4.1% in 2016, a decrease of $14.7 million over 2015. The variation came from our marine services segment with a decrease of 9.9%, partially offset by a 3.9% increase in the environmental services segment.

Profit attributable to owners of the Company decreased by $10.3 million or 35.3% in 2016. The variation came from both of our business segments: a 23.9% and 49.6% decrease for the marine and environmental services segments, respectively. This decline stemmed largely from lower cargo handling volumes for the marine services segment. The environmental services segment was less profitable due to significantly lower sales in Aqua-Pipe installation services.

Total assets amounted to $355.9 million at the end of 2016, up by $27.4 million over 2015. This growth in assets was mainly due to investments in capital expenditures, and to an increase in *trade and other receivables*. Our cash position decreased by $7.8 million, which is mainly due to our investment activities of $32.2 million, income taxes paid of $7.5 million, and a negative change in working capital of $15.3 million, partly offset by $48.3 million in cash generated from operations.

Total non-current liabilities increased to $102.5 million in 2016 from $64.7 million in 2015, due mainly to the $28.7 million increase in our long-term debt during the year in order to finance our investments in capital expenditures, and to the $12.5 million increase of our other non-current liabilities related to the repurchase of the non-controlling interest in Sanexen.

Cash dividends paid in 2016 increased by 11.8% to $3.8 million from $3.4 million in 2015.

2015 versus 2014

Revenue was up by 11.1% in 2015, an increase of $35.8 million over 2014. The variation came from both our business segments: a 6.1% and 18.7% increase for the marine and environmental services segments, respectively.

Profit attributable to owners of the Company decreased by $1.9 million or 6.1% in 2015. This decline stemmed largely from additional cargo handling costs due to flooding at our terminal in Virginia, a fire at our terminal in Georgia, and the start-up of our new container terminal in Montréal (QC). This was partially offset by greater profitability in our environmental services segment.

As the weighted average number of shares outstanding remained stable between 2015 and 2014 after adjusting for the two-for-one stock split in June 2014, *earnings per share* varied proportionately to profit attributable to owners of the Company.

Total assets amounted to $328.4 million at the end of 2015, up by $41.4 million over 2014. The growth in assets was mainly due to investments in capital expenditures. Capital expenditures were higher than usual at $25.1 million, resulting in an $11.3 million increase in property, plant and equipment. This increase was also due to an increase in *trade and other receivables* and *work in progress*. Our cash position decreased by $1.6 million, mainly due to our investment activities of $35.0 million, income taxes paid of $8.8 million, a negative change in working capital of $11.8 million, and financing activities of $7.4 million, partly offset by $60.2 million in cash generated from operations.

Total non-current liabilities increased to $64.7 million in 2015 from $60.4 million in 2014, due mainly to the $1.9 million increase in our long-term debt during the year in order to finance our investments in capital expenditures, and to the $3.0 million increase in our deferred income tax liabilities.

Cash dividends paid in 2015 were down by $9.3 million from 2014. The 2014 cash dividend amount was higher due to the Board of Directors' approval of a special dividend. The 2015 cash dividend amount was more in line with our regular dividends paid.

Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, Logistec entered into an agreement to acquire the remaining 29.8% equity interest it did not own in Sanexen for an agreed value of $43.8 million.

To determine the value, we used the ratio of Logistec's shares on the stock market over Logistec's equity at book value, and applied the same ratio to Sanexen's equity at book value. In order to avoid any anomalies, we used the average of the daily close price of Logistec's LGT.A and LGT.B stocks on the TSX for the 30 calendar days prior to the transaction date.

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), for an aggregate value of $43.8 million, resulting in Logistec holding 100% of the common shares of Sanexen.

Immediately following the share exchange, Logistec and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which Logistec was granted call options, exercisable in whole or in part at any time, to acquire from them their Class G shares for cash consideration of $15.9 million and to acquire their Class H shares in exchange for 754,015 Class B shares of Logistec. The number of Class B shares was determined using the average price for Class B shares over the prior 30 days ($36.92).

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to Logistec their Class G shares upon certain events, including termination of employment, and a put option to sell to Logistec their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to Logistec.

A retention restriction was imposed to certain non-controlling interest shareholders who are executives of Sanexen as follows: a 40% discount, representing $4.5 million, will be applied to the purchase price of the Class G shares of these shareholders should they leave Sanexen voluntarily before March 24, 2021.

The Board of Directors of Logistec received a fairness opinion from PricewaterhouseCoopers LLP to the effect that the consideration paid for the transaction was fair, from a financial point of view, to Logistec.

The recording of the transaction is summarized as follows:

Pursuant to the Option Agreement, the Class G shares will be repurchased for a fixed cash amount. Accordingly, the options are classified as a long-term liability in the consolidated statements of financial position of the Company.

The options have a nominal value of $15.9 million. The portion related to the retention of certain Sanexen executives of $4.5 million will be recorded as a compensation expense over the retention period using the straight-line method, with a corresponding increase to the long-term liability. The remaining $11.4 million liability was recorded at the date of the transaction.

Since the options related to the Class G shares are not expected to be immediately exercisable, we recorded this long-term liability of $11.4 million at its fair value of $8.9 million, which represents the present value of our best estimate of when Logistec will exercise its call option, or when the non-controlling interest shareholders will exercise their put option, and a corresponding decrease to non-controlling interests. The long-term liability will accrete to $11.4 million over the expected life of the option through an interest charge.

The Class H shares are redeemable in 754,015 Class B shares of Logistec, as described above. As opposed to the $36.92 per share price that was used to determine the number of Class B shares of Logistec to be issued, the value used for accounting purposes was the current market price of Class B shares. On March 24, 2016, the closing trading price of the Class B shares on the TSX was $39.75 per share. In addition, because the Class H shares are redeemable in Class B shares over a period of five years, we have determined the fair value of the Class B shares to be issued using a Black-Scholes option pricing model based on assumptions regarding the volatility of Logistec Class B shares, dividend yield and interest rates, resulting in a value of $33.02 per share.

As a result, as at March 24, 2016, Logistec recorded share capital to be issued amounting to $24.9 million with a corresponding decrease in retained earnings.

Furthermore the 754,015 Class B Shares to be issued will be included in our calculation of earnings per share presented on a fully diluted basis.

Business Acquisitions

On March 8, 2016, the Company, through its subsidiary Sanexen, acquired Excava-Tech Inc. for $5.6 million. This acquisition represents a vertical integration for Aqua-Pipe services.

Please refer to Note 6 of the 2016 Notes for further details on business acquisitions.

Results

Significant accounting policies applied in the 2016 consolidated financial statements are described in Note 2 of the 2016 Notes.

Revenue

Consolidated revenue totalled $343.3 million in 2016, a decrease of $14.7 million or 4.1% over 2015. Revenue was affected by the increase in the U.S. dollar against the Canadian dollar. For the year, the positive impact on revenue was $3.1 million.

The marine services segment posted revenue of $186.0 million in 2016, representing lower sales compared with the $206.5 million reported in 2015. The decrease was mostly due to lower bulk activity.

The environmental services segment delivered a good performance in 2016, as revenue increased by $5.8 million or 3.9% over 2015 to reach $157.3 million. Revenue growth came primarily from increased activity in site remediation and Aqua-Pipe in the USA, partially offset by reduced Aqua-Pipe installation in Canada.

Employee Benefits Expense

Employee benefits expense decreased from $177.0 million in 2015 to $158.8 million in 2016. This $18.2 million decrease reflects the overall reduction in activity in 2016, along with a lower labour ratio of employee benefits expense to revenue, from 49.4% in 2015 to 46.2% in 2016. The expense ratio is explained by two items in the environmental services segment. In 2016, charges related to long-term incentive plans were lower than in 2015 because targets were reached in 2015 and not in 2016. Furthermore, revenue mix in terms of labour ratio was more favourable. The marine services segment's ratio was similar to that of 2015.

Equipment and Supplies Expense

Equipment and supplies expense stood at $102.6 million in 2016, an increase of $11.6 million over 2015. This increase is, for the most part, influenced by Sanexen's revenue mix. Sanexen recorded more site remediation revenue, which has a higher equipment cost component. It is also a result of the new business we acquired, Excava-Tech, Inc., which contributes to the higher equipment cost component in the environmental services segment, as noted above. Consequently, the overall proportion of equipment and supplies expense to revenue was higher, posting a ratio of 29.9% for 2016, versus 25.4% for the same period in 2015.

Rental Expense

Rental expense was stable between 2016 and 2015, totalling $28.9 million and $29.1 million, representing 8.4% and 8.1% of revenue, respectively. This expense is stable in nature, unless changes occur within our network activities.

Other Gains and Losses

Other gains and losses showed a $0.3 million loss for 2016, compared with a $5.5 million gain in 2015. The variation is mostly due to a $1.9 million gain on a judgment and general mutual release with a third party in 2015. It is also due to the decrease in the Canadian dollar against the U.S. dollar in 2015, which generated a gain on foreign currency translation of $3.3 million in 2015 compared to a $1.0 million loss in 2016.

Income Taxes

Income taxes stood at $7.3 million for 2016. When the profit before income taxes is adjusted to exclude the effect of the share of the profit of equity accounted investments, the 2016 tax rate computes to 33.9% compared with 26.5% in 2015. This variation is within normal parameters considering that this average rate may vary depending on the distribution of profits over the various tax jurisdictions. Please refer to

Note 12 of the 2016 Notes for a full reconciliation of the effective income tax rate and other relevant income tax information.

Profit for the Year and Earnings per Share

In 2016, Logistec achieved a consolidated profit for the year of $18.5 million, of which $18.9 million was attributable to owners of the Company. This is lower than the 2015 consolidated profit of $32.9 million, of which $29.1 million was attributable to owners of the Company.

The 2016 profit attributable to owners of the Company computes to total diluted earnings per share of $1.48, which corresponds to $1.41 attributable to Class A shares and $1.56 attributable to Class B shares.

All other expenses affecting operating profit varied within normal business parameters and were comparable to 2015 levels.

Dividends

Logistec paid a total of $3.8 million in dividends to its shareholders in 2016.

On December 9, 2016, the Board of Directors declared dividends of $0.075 per Class A share and of $0.0825 per Class B share, for a total consideration of $1.0 million. These dividends were paid on January 16, 2017, to all Logistec Corporation shareholders of record as of January 3, 2017.

On March 17, 2017, the Board of Directors declared a dividend of $0.075 per Class A share and $0.0825 per Class B share, which will be paid on April 21, 2017, to all shareholders of record as of April 7, 2017. The estimated dividend to be paid is $1.0 million.

All dividends paid in 2016 were eligible dividends for Canada Revenue Agency purposes.

The Company's Board of Directors determines the level of dividend payments. Although Logistec does not have a formal dividend policy, the practice has been to maintain regular quarterly dividends with modest increases over the years.

Liquidity and Capital Resources

Capital Management

The Company's primary objectives when managing capital are to:

- Maintain a capital structure that allows financing options to the Company in order to benefit from potential opportunities as they arise;
- Provide an appropriate return on investment to its shareholders;
- Maintain a debt/capitalization ratio of less than 40%. The debt/capitalization ratio is defined as long-term debt (including the current portion) over long-term debt (including the current portion) plus equity attributable to owners of the Company.

The Company includes the following in its capital:

- Cash and cash equivalents and short-term investments, if any;
- Long-term debt (including the current portion) and short-term bank loans, if any;
- Equity attributable to owners of the Company.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance its existing debt, raise new debt, pay down debt, repurchase shares for cancellation purposes pursuant to normal course issuer bids or issue new shares.

When looking at business investment opportunities, the Company uses discounted cash flow models to ensure that the rate of return meets its objectives. Furthermore, investment opportunities must be accretive to earnings per share, therefore enhancing shareholder value.

The decision to repay debt is based on an assessment of current levels of cash in relation to expected cash that will be generated from operations. The Company has unused credit facilities with various financial institutions that can be utilized when investment opportunities arise.

Capital Resources

Total assets amounted to $355.9 million as at December 31, 2016, up by $27.4 million over the closing balance of $328.4 million as at December 31, 2015.

Cash and cash equivalents totalled $16.0 million at the end of 2016, down by $7.8 million from $23.8 million as at December 31, 2015. The main items behind this decrease were as follows:

(in thousands of dollars)	
Positive:	
Profit for the year	18,486
Issuance of long-term debt	53,852
Current income taxes	5,682
Reduction of non-current assets (mainly due to a take-or-pay service contract)	6,080
Depreciation and amortization expense	14,288
	98,388
Negative:	
Acquisition of property, plant and equipment	(32,198)
Changes in non-cash working capital items	(15,358)
Repurchase of share capital	(10,433)
Share of profit of equity accounted investments, not distributed	(4,310)
Acquisition of other financial assets	(4,039)
Income taxes paid	(7,473)
Repayment of long-term debt	(29,909)
	(103,720)

Working Capital

As at December 31, 2016, current assets totalled $125.9 million and current liabilities totalled $50.1 million, computing into working capital of $75.8 million for a current ratio of 2.51:1. This compares favourably with working capital of $71.7 million and a 2.33:1 ratio as at December 31, 2015.

Long-Term Debt

Combining the current and long-term portions of long-term debt, the balance of $32.1 million as at December 31, 2015, was up by $28.2 million to $60.3 million as at December 31, 2016. The increase mainly reflects our investment in capital expenditures, where we borrowed $53.8 million in 2016 (excluding business acquisitions), less the repayments of $29.9 million.

Under the terms of our various financing agreements, the Company, its subsidiaries and its joint ventures must satisfy certain restrictive covenants with respect to minimum financial ratios. As at December 31, 2016, all the group's entities complied with such covenants. In some cases, financing covenants may limit the ability of some subsidiaries or joint ventures to pay dividends to Logistec. However, Logistec generates sufficient cash flows from its wholly owned subsidiaries to meet its financial obligations.

Payments Due by Period

The following table provides a summary of the Company's long-term debt and contractual obligations:

Contractual Obligations
as at December 31, 2016
(in thousands of dollars)

	Total $	Less than 1 year $	1 – 3 years $	4 – 5 years $	More than 5 years $
Long-term debt	60,325	1,681	2,545	55,699	400
Operating leases					
– Equipment	9,955	3,162	4,717	590	1,486
– Occupancy	41,089	10,909	18,774	3,231	8,175
Purchase obligations [(1)]	6,220	6,220	–	–	–
Long-term liabilities to shareholders	9,725	–	–	9,725	–
Non-current financial liabilities	2,788	–	768		2,020
Total contractual obligations	130,102	21,972	26,804	69,245	12,081

[(1)] *Consists of equipment ordered, not yet delivered at the end of 2016*

The reader is referred to Notes 25, 29, 31, 37 and 38 of the 2016 Notes for further details about post-employment benefit assets and obligations, long-term debt, provisions, commitments, and contingent liabilities and guarantees.

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to $201.4 million as at December 31, 2016. Adding long-term debt yields a capitalization of $261.7 million, which computes to a debt/capitalization ratio of 23.1%, significantly below the 40% threshold mentioned previously in the Company's capital management objectives. This also means that the Company has substantial financial leverage available should the need arise.

As at March 17, 2017, 7,412,122 Class A shares and 4,738,000 Class B shares were issued and outstanding. Each Class A share is convertible at any time by its holder into one Class B share. Please refer to Note 32 of the 2016 Notes for full details on the Company's share capital.

Normal Course Issuer Bid ("NCIB")

Since October 20, 2005, Logistec has repurchased some of its shares for cancellation purposes pursuant to consecutive annual NCIBs, the latest of which terminated on October 25, 2016. On October 26, 2016, the Company launched another NCIB that will terminate no later than October 25, 2017. The Company believes that the repurchase of its shares may constitute an appropriate and desirable use of its available cash and, consequently, that the offer is in the best interest of Logistec and its shareholders. Pursuant to the current NCIB, Logistec intends to repurchase for cancellation purposes up to 370,696 Class A shares and 238,195 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 14, 2016.

Shareholders may obtain a free copy of the notice of intention regarding the NCIB filed with the TSX by contacting the Company.

During 2016, under the NCIB programs, 23,600 Class A shares and 253,000 Class B shares were repurchased at average prices of $41.01 and $37.46, respectively. Please refer to Note 32 of the 2016 Notes for further details.

Equity in Joint Ventures

The Company's results include its share of operations in joint ventures, which are accounted for in the share of profit of equity accounted investments. The closing balance of $31.1 million at the end of 2016 is mainly the result of the 2015 closing balance of $29.0 million plus the 2016 share of profit of equity accounted investments of $4.3 million, less $2.2 million in dividends received.

As at December 31, 2016, the Company's 50%-equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., Quebec Maritime Services Inc., 9260-0873 Québec Inc. and Flexiport Mobile Docking Structures Inc. The Company also holds a 49%-equity interest in Qikiqtaaluk Environmental Inc. and Avataani Environmental Services Inc.

None of the Company's joint ventures are publicly listed entities and, consequently, do not have published price quotations.

The Company has one significant joint venture, Termont Terminal Inc., specialized in handling containers, which is aligned with the Company's core business. Please refer to Note 20 of the 2016 Notes for its financial information.

Post-Employment Benefits

The Company offers either defined benefit retirement plans or defined contribution retirement plans to its employees. In consideration that a majority of beneficiaries from the defined benefit retirement plans were pensioners already, the Company elaborated a derisking strategy with regard to these plans.

A summary of the fair value of plan assets, benefit obligation, funded status of the retirement plans, and significant assumptions can be found in Note 25 of the 2016 Notes.

Calculations on the retirement plans' funded statuses have been performed by the Company's independent actuaries as of December 31, 2016. They calculated a benefit obligation of $30.4 million, compared with a fair value of plan assets of $18.7 million, which computed into a funded status deficit of $11.7 million. The Company offers supplemental retirement plans to senior executives ("SERP"). The reader is referred to the description of the "Senior Management Pension Plan" in our information circular. These SERP are unfunded and the related obligation of $11.3 million is included in the above numbers. Excluding the SERP obligation, the funded status deficit amounts to $0.4 million.

Management's assumption for the discount rate was 4.0% in 2015 and 2016. Actuarial calculations made for actual funding and cash disbursements use different assumptions and therefore compute into different funded statuses. The Company's SERP are non-registered plans and, therefore, are not subject to actuarial valuations. The Company sponsors three registered defined benefit retirement plans. Of these plans, two were subject to actuarial valuations as of December 31, 2013, and one as of December 31, 2015. Based on these valuations, the Company's combined surplus amounts to $0.3 million when calculated using the going concern method, and to a combined deficit of $1.0 million when using the solvency method.

The next required valuations are as of December 31, 2016 for the three plans. The Company is therefore not currently in a position to provide an update on the funded status of its defined benefit retirement plans.

Other Items in the Consolidated Statements of Financial Position

Financial position as at *(in millions of dollars)*	**December 31, 2016 $**	December 31, 2015 $	**Var. $**	**Var. %**	Explanation of variation
Trade and other receivables	**86.4**	77.3	**9.0**	**11.7**	The variation is explained mainly by a greater level of activity in the fourth quarter of 2016 compared with the same quarter of 2015.
Work in progress	**4.4**	6.4	**(2.0)**	**(31.7)**	Work in progress represents the gross unbilled amount that will be collected from customers for contract work performed to date in our environmental services segment.
Other non-current assets	**1.5**	5.2	**(3.7)**	**(70.5)**	The majority of the variation stems from a take-or-pay service contract with a supplier. Other non-current assets are reduced as the services are received.
Property, plant and equipment	**138.6**	111.0	**27.6**	**24.8**	The increase stems from acquisitions of $32.2 million, added to the business acquisitions of $6.5 million, which exceeds the depreciation expense of $12.9 million.
Non-current financial assets	**7.2**	5.0	**2.1**	**42.8**	The increase reflects the higher level of contract holdbacks at Sanexen at the end of 2016.
Trade and other payables	**43.1**	46.4	**(3.3)**	**(7.1)**	The decrease is mainly due to the reclassification of the $5.0 million cumulative charge for the Company's long-term incentive plans in 2015 to short-term payables, partially offset by the higher level of activity in the fourth quarter of 2016 compared with the fourth quarter of 2015.
Non-current financial liabilities	**12.5**	4.1	**8.4**	**207.7**	The increase is mainly due to the acquisition of the non-controlling interest in Sanexen. As a result of that transaction, Logistec recorded a long-term liability amounting to $9.7 million as at December 31, 2016.
Current portion of long-term debt	**1.7**	2.2	**(0.5)**	**(22.1)**	The variation stems from the $23.9 million increase in long-term debt for cash flow needs, as previously discussed in the "Liquidity and Capital Resources" section.
Long-term debt	**58.6**	29.9	**28.7**	**96.0**	
Share capital to be issued	**24.9**	–	**24.9**	**–**	The variation as at December 31, 2016 is due to the acquisition of the non-controlling interest in Sanexen, as discussed previously.
Non-controlling interests	**1.8**	20.2	**(18.4)**	**(91.1)**	

Other items in the consolidated statements of financial position varied according to normal business parameters.

Financial Risk Management

By the nature of the activities carried out and as a result of holding financial instruments, the Company is exposed to credit risk, liquidity risk and market risk, especially interest rate risk and foreign exchange risk.

Credit Risk

Credit risk arises from the possibility that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial and well-established customers, thus reducing its credit risk. On the other hand, the number of customers served by the Company is limited, which increases the risk of business concentration and economic dependency. Overall, the Company serves approximately 1,600 customers. In 2016, the 20 largest customers accounted for 45.7% of consolidated revenue (49.0% in 2015) and not a single customer accounted for more than 10% of consolidated revenue and trade receivables.

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. The Company updates its estimate of the allowance for doubtful accounts on a specific basis and, if required, using a set percentage applied to the aging of accounts receivable. Trade and other receivables are written off once determined not to be collectable.

Pursuant to their respective terms, trade and other receivables were aged as follows:

(in thousands of dollars)	**As at December 31, 2016 $**	As at December 31, 2015 $
Current	**28,342**	24,315
31-60 days	**21,216**	21,818
Past due 1-30 days	**16,135**	12,296
Past due 31-60 days	**9,445**	5,089
Past due 61-120 days	**1,253**	2,152
Past due over 121 days [(1)]	**9,982**	11,663
	86,373	77,333

[(1)] *Includes contract holdbacks amounting to $1.9 million ($4.2 million in 2015)*

The movements in the allowance for doubtful accounts were as follows:

(in thousands of dollars)	**2016 $**	2015 $
Balance, beginning of year	**2,519**	1,480
Bad debt expense	**462**	1,012
Reversals (write offs)	**(133)**	27
Balance, end of year	**2,848**	2,519

The Company's maximum exposure to credit risk with respect to each of its financial assets (cash and cash equivalents, investments in service contracts, trade and other receivables, and non-current financial assets) corresponds to its carrying amount.

Liquidity Risk

Liquidity risk is the Company's exposure to the risk of not being able to meet its financial obligations when they become due. The Company monitors its levels of cash and debt, and takes appropriate actions to ensure it has sufficient cash to meet operational needs while ensuring compliance with covenants.

The following were the contractual maturities of financial obligations:

As at December 31, 2016 *(in thousands of dollars)*	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	**43,081**	**43,081**	**43,081**	**–**	**–**
Long-term debt [(1)]	**60,707**	**60,707**	**814**	**58,693**	**1,200**
Non-current financial liabilities, excluding the derivative	**12,437**	**12,437**	**1,836**	**2,138**	**8,463**
	116,225	**116,225**	**45,731**	**60,831**	**9,663**

As at December 31, 2015 *(in thousands of dollars)*	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	46,352	46,352	46,352	–	–
Long-term debt [(1)]	33,461	33,461	2,582	29,279	1,600
Non-current financial liabilities, excluding the derivative	3,900	3,900	–	3,631	269
	83,713	83,713	48,934	32,910	1,869

[(1)] *Includes principal and interest*

Given the actual liquidity level combined with future cash flows that will be generated by operations, the Company believes that its liquidity risk is low.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's results or the value of its financial instruments. The Company is mainly exposed to interest risk and foreign exchange risk.

Interest Risk

The Company is exposed to interest risk through interest rate fluctuations. Previously, the Company did not hold any financial instruments that mitigated the risk. However, since 2011, a subsidiary of the Company holds interest rate swap contracts to partly swap the floating rate to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations.

Sensitivity Analysis

As at December 31, 2016, the floating rate portion of the Company's long-term debt was 92% (92% in 2015). Taking into account the interest rate swap contracts mentioned above, the floating rate portion was 80% as at December 31, 2016 (50% in 2015). All else being equal, a hypothetical variation of +1.0% in the prime interest rate on the floating rate portion of the Company's long-term debt held as at December 31, 2016, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have a negative impact of $0.6 million ($0.2 million in 2015) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have the opposite impact on profit for the year.

Foreign Exchange Risk

The Company is mainly exposed to fluctuations in the U.S. dollar. The Company considers the risk to be limited and, therefore, does not use derivative instruments to reduce its exposure.

During 2016, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have a positive impact of $2.2 million ($1.6 million in 2015) on profit for the year and a positive impact of $2.8 million ($2.9 million in 2015) on total comprehensive income. A hypothetical

weakening of 5.0% of the U.S. dollar against the Canadian dollar would have the opposite impact on profit for the year and total comprehensive income.

As at December 31, 2016, a total of $42.4 million or US$29.0 million and €2.5 million ($36.1 million or US$23.3 million and €2.6 million in 2015) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2016, a total of $17.8 million or US$11.7 million and €1.5 million ($17.2 million or US$11.0 million and €1.3 million in 2015) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2016 and 2015, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable was not significantly different from their carrying value as at December 31, 2016 and 2015, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of an investment in a service contract was not significantly different from its carrying value as at December 31, 2016 and 2015, as terms and conditions were similar to current conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2016 and 2015, since it mainly bore interest at floating rates and had financing conditions similar to those then available to the Company.

Business Risks

The business risks to which we are exposed have been fairly consistent over the last few years. The following is a summary of these major risks:

Market Risk – The Company handles a wide variety of commodities and, although our geographical and product diversification strategy should protect us against significant impacts, major fluctuations in specific commodities or in specific regions may affect our performance.

Port Terminal Related Risks – Access to strategic terminals is critical to a successful cargo handling operation. Our facilities are generally leased on a long-term basis. Such leases give us operating rights in exchange for rent that are generally fixed costs for the Company. Consequently, we quickly feel the financial impact of a major decline in cargo volumes.

Government Policies – Government investment in port infrastructures, legislation, tariffs or taxation powers can have a direct impact on a site's profitability and even on the flow of cargo.

Currency Fluctuations – Fluctuations in the Canadian/U.S. dollar conversion rate may affect Canadian companies. This situation, although it may affect our customers, does not affect us directly. Indeed, we usually provide services locally and are paid in the same currency in which we incur costs. Hence, fluctuations in the U.S. dollar do not usually have a significant impact on our results, as our U.S. subsidiaries are financially self-sustaining. As discussed in the previous section "Financial Risk Management", the Company is mainly exposed to fluctuations in the U.S. dollar versus the Canadian dollar, particularly for its consolidated statements of financial position items held in U.S. dollars. However, the Company considers this risk to be relatively limited.

Personnel and Labour Related Risks – Some of our facilities are located near small urban centres where it can be difficult to find qualified labour. In addition, the industry in our marine services segment is strongly unionized and there is always a risk of strike or work stoppage when negotiating collective agreements.

Related Party Transactions

In addition to compensation to key management personnel and dividends to shareholders that occur in the normal course of business and that are quantified in Note 34 of the 2016 Notes, services rendered to or by related parties are essentially professional services, rent, management fees, and operational costs charged to or by joint ventures. These transactions are also in the normal course of business, and their consideration is established and agreed to by the related parties. Included in the amounts owed from joint ventures is Nanuk's share of the post-employment benefit obligation of one of the Company's sponsored retirement plans.

Selected Quarterly Information

(in thousands of Canadian dollars, except per share amounts)	Q1 $	Q2 $	Q3 $	Q4 $	Year $
2016					
Revenue	**64,859**	**79,616**	**103,093**	**95,758**	**343,326**
Profit (loss) attributable to owners of the Company	**(138)**	**951**	**9,153**	**8,892**	**18,858**
Basic earnings per Class A share	**(0.01)**	**0.08**	**0.72**	**0.70**	**1.48**
Basic earnings per Class B share	**(0.01)**	**0.08**	**0.80**	**0.76**	**1.63**
Total basic earnings per share	**(0.01)**	**0.08**	**0.75**	**0.73**	**1.55**
Diluted earnings per Class A share	**(0.01)**	**0.07**	**0.67**	**0.68**	**1.41**
Diluted earnings per Class B share	**(0.01)**	**0.08**	**0.75**	**0.74**	**1.56**
Total diluted earnings per share	**(0.01)**	**0.07**	**0.71**	**0.71**	**1.48**
2015					
Revenue	60,372	89,262	115,933	92,441	358,008
Profit attributable to owners of the Company	2,518	6,668	12,102	7,854	29,142
Basic and diluted earnings per Class A share	0.19	0.51	0.94	0.61	2.25
Basic and diluted earnings per Class B share	0.21	0.57	1.03	0.67	2.47
Total basic and diluted earnings per share	0.20	0.54	0.97	0.63	2.34

Seasonal Nature of Operations

Operations are affected by weather conditions and are therefore of a seasonal nature. During the winter months, the St. Lawrence Seaway is closed. There is no activity on the Great Lakes, reduced activity on the St. Lawrence River, and no activity in Arctic transportation due to ice conditions.

Sanexen's activities are also affected by weather conditions, as the majority of the specialized services it offers depend upon the excavation of soils, which is more difficult during the winter.

Historically, the first quarter and, to a lesser extent, the second quarter have always presented a lower level of activity and yielded weaker results than the other quarters. The third and fourth quarters are usually the most active.

Fourth Quarter of 2016 Results and Comparative Figures

(in thousands of dollars, except per share amounts)	**Q4 2016 $**	Q4 2015 $
Revenue	**95,758**	92,441
Employee benefits expense	**(42,797)**	(46,462)
Equipment and supplies expense	**(26,064)**	(22,550)
Rental expense	**(8,122)**	(7,786)
Other expenses	**(3,986)**	(3,966)
Depreciation and amortization expense	**(4,141)**	(3,608)
Share of profit of equity accounted investments	**1,546**	1,709
Other gains and losses	**955**	874
Operating profit	**13,149**	10,652
Finance expense	**(520)**	(226)
Finance income	**33**	(168)
Profit before income taxes	**12,662**	10,258
Income taxes	**(3,775)**	(1,775)
Profit for the period	**8,887**	8,483
Profit attributable to:		
Owners of the Company	**8,892**	7,854
Non-controlling interests	**(5)**	629
Profit for the period	**8,887**	8,483
Basic earnings per Class A share	**0.70**	0.61
Basic earnings per Class B share	**0.76**	0.67
Diluted earnings per Class A share	**0.68**	0.61
Diluted earnings per Class B share	**0.74**	0.67

Revenue totalled $95.7 million in the fourth quarter of 2016, up by $3.3 million over the same period of 2015. This increase is explained mainly by strong activity in the environmental services segment during the fourth quarter.

Employee benefits expense to revenue ratio was lower at 44.7% and 50.3% for the fourth quarters of 2016 and 2015, respectively. The lower ratio is explained by higher revenue, which allowed us to better cover the fixed portion of our employee benefits expense.

Equipment and supplies expense for the fourth quarter of 2016 was higher at $26.0 million, up by $3.5 million when compared with the fourth quarter of 2015. This increase is, for the most part, influenced by Sanexen's revenue mix. Sanexen recorded more site remediation revenue, which has a higher equipment and supplies component. Consequently, the overall proportion of equipment and supplies expense to revenue was higher, posting a ratio of 27.2% for the fourth quarter of 2016, versus 24.4% for the same period in 2015.

Operating profit for the fourth quarter of 2016 amounted to $13.1 million, which was higher than the $10.7 million reported in the fourth quarter of 2015. The increase in operating profit is mainly due to better performance in the marine services segment compared with 2015 and lower employee benefits expense, as mentioned above.

All other expenses affecting operating profit varied within normal business parameters and were comparable to 2015 levels.

Significant Judgments, Estimates and Assumptions

In the application of the Company's significant accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from those estimates. The measurement of some assets and liabilities in the preparation of the financial statements includes assumptions made by management that are described in Note 4 of the 2016 Notes. Further details on judgments, estimates and assumptions can be found in the 2016 Notes, particularly regarding trade receivables (Notes 5 and 18), goodwill (Note 22), finite-life intangible assets (Note 23), equity accounted investments (Note 20), impairment of long-lived assets including goodwill (Note 22), deferred income taxes (Note 12), post-employment benefits (Note 25), and provisions (Note 30). The Company's significant accounting policies are applied consistently to all its reportable industry segments (Note 35).

Application of New and Revised IFRS

On January 1, 2016, the Company adopted IAS 1, "Presentation of Financial Statements", which did not significantly affect the presentation of the financial statements. Please refer to Note 3 of the 2016 Notes for a full description of this standard.

Additionally, the following accounting standards have been published or modified: IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers"; IFRS 16, "Leases"; and IAS 7, "Statement of Cash Flows". Again, please refer to Note 3 for further details on these standards.

Environmental Matters

Climate Change

It is not possible to assess the impact of climate change on our business at this time. We believe it may create concerns but also opportunities. Although it may have an impact on water levels in certain ports, it may also lead to a longer season for Arctic transportation. These are monitored regularly to ensure that we will be well positioned to deal with any changes that may occur in the flow of trade.

Other Environmental Concerns

We handle various bulk commodities on sites that have had industrial activities for many years. It is more than likely that some sites were already contaminated from such activities prior to our arrival. We normally make a baseline assessment of the sites' contamination prior to signing a new lease. This limits our liability to our own operations. Logistec takes environmental matters very seriously and is committed to limiting and reducing its environmental footprint.

Environmental Policy

Logistec has a health, safety and environment ("HSE") policy that recognizes the importance of environmental aspects of the business. It commits us to take into account the possible repercussions on the environment of all our current and future decisions and operations.

The policy states that the Company will subscribe to certain principles, such as:

- Respect of and compliance with current environmental laws and regulations in the conduct of all our operations;
- Reduction of our possible impact on the environment with protective and preventive measures;
- Use of environmentally friendly technologies;
- Adoption and application of programs aimed at continuous improvement, as measured through the monitoring of emissions and waste resulting from our activities.

Green Marine

As proof of its commitment towards the environment, Logistec has been a certified Green Marine participant since 2009. Green Marine is a joint Canada-USA initiative aimed at implementing a marine industry environmental program throughout North America. Founded in 2008 by CEOs of leading marine services companies in Eastern Canada, including our CEO, Green Marine has rapidly gained a reputation for credibility and transparency, and for challenging participant companies to improve their environmental performance beyond regulatory compliance. The cornerstone of the Green Marine initiative is its far-reaching environmental program, which makes it possible for any marine company operating in Canada or the USA to voluntarily improve its environmental performance by undertaking concrete and measurable actions.

Although the program was originally conceived for the Great Lakes and St. Lawrence corridor, the interest it has generated throughout the marine industry has enabled it to evolve and cover North America in its entirety. Companies participating in the voluntary program evaluate their performance yearly on a scale that ranges from regulatory compliance to excellence in their practices with respect to seven priority environmental issues, namely: aquatic invasive species, pollutant air emissions, greenhouse gases, cargo residues, oily waters, conflicts of use in ports and terminals, and environmental leadership.

Opportunities

Serving the marine industry may represent an opportunity from an environmental point of view. Indeed, carrying goods by ship is one of the most economical and environmentally friendly means of transportation. The large volume of cargoes being transported on each sailing generally converts into a lower consumption of energy per tonne of cargo handled versus ground transportation. Environmental pressures from authorities to lower greenhouse gas emissions may favour marine transportation (via the St. Lawrence River for instance) which in turn may favour our business, since such ships will need to be loaded and unloaded.

Our subsidiary Sanexen is active in the field of environmental cleanup and rehabilitation of water mains, and the more conscientious businesses and municipalities become, the more opportunities this may represent for Sanexen.

Corporate Governance

Logistec has implemented high standards of corporate governance. Logistec has in place corporate governance practices that are consistent with the requirements of National Policy 58-201 "Corporate Governance Guidelines" and National Instrument 58-101 "Disclosure of Corporate Governance Practices". Seven of Logistec's 11 directors are independent, and the roles of Chairman and Chief Executive Officer are separate. The Governance and Human Resources Committee and the Audit Committee consist exclusively of independent directors. The Audit Committee, which is involved in the review of interim and annual reports and financial statements prior to their submission to the Board of Directors for approval, meets separately with the Company's independent auditor. The Board of Directors recommends the

appointment of the independent auditor to shareholders after the Audit Committee has made a proper analysis.

Pursuant to the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", the President and Chief Executive Officer and the Vice-President, Finance are responsible for the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). They are assisted in these tasks by a Certification Steering Committee, which is comprised of members of the Company's senior management including the two previously mentioned executives.

They have reviewed this MD&A, the annual financial statements, the annual information form and the information circular, which includes a compensation disclosure and analysis (the "Annual Filings"). Based on their knowledge, the Annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Annual Filings. Based on their knowledge, the annual financial statements, together with the other financial information included in the Annual Filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the Annual Filings.

Under the supervision of the Certification Steering Committee, the effectiveness of DC&P was evaluated. Based upon this evaluation, the President and Chief Executive Officer and the Vice-President, Finance concluded that the DC&P were effective as at the end of the fiscal period ended December 31, 2016, and that the design of these DC&P provided reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was communicated to them in a timely manner for the preparation of the Annual Filings, and that information required to be disclosed in its Annual Filings was recorded, processed, summarized and reported within the required time periods.

The President and Chief Executive Officer and the Vice-President, Finance have also designed such ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Under the supervision of the Certification Steering Committee, the effectiveness of ICFR was evaluated. Based upon this evaluation, the President and Chief Executive Officer and the Vice-President, Finance concluded that ICFR is adequate and effective to provide such assurance as at December 31, 2016.

There has been no change in the Company's ICFR that occurred during the fourth quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

The year 2016 started slowly, with a loss in the first quarter, an occurrence we had not seen in four years. In spite of a slow second quarter and a sluggish economy, we began to see a turnaround in the third quarter, and we finished in the fourth quarter with record revenue and profit. These are encouraging signs, as the trend has continued into 2017.

In 2017, we have acquired a 70% majority interest in Logistec Gulf Coast LLC, which handles bulk at Port Manatee (FL), Tampa (FL), and other ports. This investment solidifies our presence in the U.S. Southeast and the Gulf of Mexico. We have also won a bid to operate at the Port of Cleveland (OH), another bulk operation and an additional port in our network.

Some of the challenges that slowed us down in the last two years are now behind us. We have completed the reconstruction of our biomass handling facility in Brunswick (GA) following the fire in 2015, and the facility is now operating efficiently. Additionally, we have almost completed the development of our new container terminal in Montréal (QC) and are already seeing productivity gains.

Even Mother Nature seems to be on our side recently, giving us significant amounts of snow that required higher than usual salt deliveries, which in turn should bring more salt volumes to inventories.

Finally, our port logistics operations, both in Montréal (QC) and Virginia, are picking up. Revenue is increasing, cost efficiencies are kicking in and results are encouraging.

In our environmental services segment, the outlook is also looking more positive. The first few months of 2017 have allowed us to replenish our order book, which now stands at a very strong $140 million. Our Aqua-Pipe business is expecting a busy year, with large bids already won with the Ville de Montréal (QC). Furthermore, with two strategically located offices in the USA and proper deployment of equipment, we are now all set for our U.S. operations through Sanexen Water, Inc.

There are positive signs in both our marine and environmental services segments, but we must remain prudent. If increasingly protectionist policies and measures continue to be adopted in the USA, it could lead to decreased world trade, impacting our business negatively.

From a business development and acquisition point of view, we are actively studying several opportunities. We are very encouraged by the recent successes mentioned earlier and are working hard to maintain our growth efforts. We hope to add more facilities and activities to our portfolio of marine and environmental services in the years to come.

This management's discussion and analysis along with the annual report, audited annual consolidated financial statements, the annual information form and the information circular and compensation disclosure and analysis are all filed on SEDAR's website (www.sedar.com) and some of these documents can also be consulted on Logistec's website (www.logistec.com), in the Investors section.

The interim financial reports and financial press releases can also be consulted on SEDAR and Logistec's website.

For the purpose of informing shareholders and potential investors about the Company's prospects, sections of this document may contain forward-looking statements, within the meaning of securities legislation, about the Company's activities, performance and financial position and, in particular, hopes for the success of the Company's efforts in the development and growth of its business. These forward-looking statements express, as of the date of this document, the estimates, predictions, projections, expectations or opinions of the Company about future events or results. Although the Company believes that the expectations produced by these forward-looking statements are founded on valid and reasonable bases and assumptions, these forward-looking statements are inherently subject to important uncertainties and contingencies, many of which are beyond the Company's control, such that the Company's performance may differ significantly from the predicted performance expressed or presented in such forward-looking statements. The important risks and uncertainties that may cause the actual results and future events to differ significantly from the expectations currently expressed are examined under "Business Risks" in this document and include (but are not limited to) the performances of domestic and international economies and their effect on shipping volumes, weather conditions, labour relations, pricing and competitors' marketing activities. The reader of this document is thus cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to update or revise these forward-looking statements, except as required by law.

(signed) Jean-Claude Dugas
Jean-Claude Dugas, CPA, CA
Vice-President, Finance

March 17, 2017

Independent Auditor's Report

To the Shareholders of Logistec Corporation

We have audited the accompanying consolidated financial statements of Logistec Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Logistec Corporation as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(s) Deloitte LLP [1]
March 17, 2017
Montreal, Québec

[1] CPA auditor, CA, public accountancy permit No. A109522

Consolidated Statements of Earnings

years ended December 31
(in thousands of Canadian dollars, except for per share amounts)

	Notes	**2016** **$**	2015 $
Revenue	7	**343,326**	358,008
Employee benefits expense	8	**(158,784)**	(176,953)
Equipment and supplies expense		**(102,636)**	(91,000)
Rental expense		**(28,899)**	(29,062)
Other expenses		**(15,230)**	(14,673)
Depreciation and amortization expense	21	**(14,288)**	(12,328)
Share of profit of equity accounted investments	20	**4,310**	4,264
Other gains and losses	9, 39	**(345)**	5,528
Operating profit		**27,454**	43,784
Finance expense	10	**(1,894)**	(936)
Finance income	11	**194**	313
Profit before income taxes		**25,754**	43,161
Income taxes	12	**(7,268)**	(10,288)
Profit for the year		**18,486**	32,873
Profit attributable to:			
Owners of the Company		**18,858**	29,142
Non-controlling interests		**(372)**	3,731
Profit for the year		**18,486**	32,873
Basic earnings per Class A Common Share [(1)]	14, 32	**1.48**	2.25
Basic earnings per Class B Subordinate Voting Share [(2)]	14, 32	**1.64**	2.47
Diluted earnings per Class A share	14, 32	**1.41**	2.25
Diluted earnings per Class B share	14, 32	**1.56**	2.47

(1) *Class A Common Share ("Class A share")*
(2) *Class B Subordinate Voting Share ("Class B share")*

Consolidated Statements of Comprehensive Income

years ended December 31
(in thousands of Canadian dollars)

	Notes	**2016** **$**	2015 $
Profit for the year		**18,486**	32,873
Other comprehensive income (loss)			
Items that are or may be reclassified to the consolidated statements of earnings			
Currency translation differences arising on translation of foreign operations		**(1,158)**	6,275
Losses on derivatives designated as cash flow hedges		**–**	(187)
Transfer of losses on derivatives designated as cash flow hedges to the consolidated statements of earnings		**167**	80
Income taxes relating to derivatives designated as cash flow hedges		**(45)**	31
Total items that are or may be reclassified to the consolidated statements of earnings		**(1,036)**	6,199
Items that will not be reclassified to the consolidated statements of earnings			
Remeasurement losses on benefit obligation	25	**(44)**	(239)
Return on retirement plan assets excluding amounts included in profit for the year	25	**669**	(199)
Income taxes on remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year	12	**(168)**	118
Total items that will not be reclassified to the consolidated statements of earnings		**457**	(320)
Share of other comprehensive income of equity accounted investments, net of income taxes			
Items that are or may be reclassified to the consolidated statements of earnings		**1**	(7)
Items that will not be reclassified to the consolidated statements of earnings		**12**	(6)
Total share of other comprehensive income of equity accounted investments, net of income taxes		**13**	(13)
Other comprehensive income (loss) for the year, net of income taxes		**(566)**	5,866
Total comprehensive income for the year		**17,920**	38,739
Total comprehensive income (loss) attributable to:			
Owners of the Company		**18,292**	35,008
Non-controlling interests		**(372)**	3,731
Total comprehensive income for the year		**17,920**	38,739

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	**As at December 31, 2016 $**	As at December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents	16	**15,971**	23,811
Investment in a service contract	17	**865**	1,157
Trade and other receivables	18	**86,373**	77,333
Work in progress		**4,395**	6,438
Current income tax assets	12	**3,767**	2,569
Other financial assets		**1,014**	–
Assets available for sale		**330**	–
Prepaid expenses		**5,654**	7,952
Inventories	19	**7,506**	6,553
		125,875	125,813
Equity accounted investments	20	**31,141**	28,951
Property, plant and equipment	21	**138,591**	111,022
Goodwill	22	**24,899**	22,615
Other intangible assets	23	**18,233**	20,247
Other non-current assets	24	**1,534**	5,194
Post-employment benefit assets	25	**706**	522
Non-current financial assets	26	**7,166**	5,019
Deferred income tax assets	12	**7,715**	9,032
Total assets		**355,860**	328,415
Liabilities			
Current liabilities			
Trade and other payables	28	**43,081**	46,352
Deferred revenue		**2,928**	2,700
Current income tax liabilities	12	**149**	650
Dividends payable	32	**947**	967
Current portion of long-term debt	29	**1,681**	2,159
Provisions	30	**1,344**	1,268
		50,130	54,096
Long-term debt	29	**58,644**	29,920
Provisions	30	**800**	766
Deferred income tax liabilities	12	**13,382**	12,433
Post-employment benefit obligations	25	**13,076**	12,955
Deferred revenue		**4,133**	4,533
Non-current financial liabilities	31	**12,514**	4,067
Total liabilities		**152,679**	118,770
Commitments, contingent liabilities and guarantees	37, 38		
Equity			
Share capital	32	**15,618**	14,985
Share capital to be issued	32	**24,898**	–
Retained earnings		**151,616**	164,154
Accumulated other comprehensive income		**9,251**	10,274
Equity attributable to owners of the Company		**201,383**	189,413
Non-controlling interests		**1,798**	20,232
Total equity		**203,181**	209,645
Total liabilities and equity		**355,860**	328,415

On behalf of the Board

(signed) George R. Jones
Director

(signed) Madeleine Paquin
Director

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

		Attributable to owners of the Company							
				Accumulated other comprehensive income (loss)					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2016		**14,985**	**–**	**(139)**	**10,413**	**164,154**	**189,413**	**20,232**	**209,645**
Profit (loss) for the year		–	–	–	–	18,858	18,858	(372)	18,486
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(1,158)	–	(1,158)	–	(1,158)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year, net of income taxes	25	–	–	–	–	457	457	–	457
Cash flow hedges, net of income taxes		–	–	122	–	–	122	–	122
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	13	–	–	13	–	13
Total comprehensive income (loss) for the year		–	–	135	(1,158)	19,315	18,292	(372)	17,920
Repurchase of Class A shares	32	(16)	–	–	–	(953)	(969)	–	(969)
Issuance and repurchase of Class B shares	32	649	–	–	–	(8,957)	(8,308)	–	(8,308)
Repurchase of non-controlling interests	32	–	24,898	–	–	(18,148)	6,750	(18,062)	(11,312)
Dividends on Class A shares	32	–	–	–	–	(2,226)	(2,226)	–	(2,226)
Dividends on Class B shares	32	–	–	–	–	(1,569)	(1,569)	–	(1,569)
Balance as at December 31, 2016		**15,618**	**24,898**	**(4)**	**9,255**	**151,616**	**201,383**	**1,798**	**203,181**

Consolidated Statements of Changes in Equity (Continued)

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company						
			Accumulated other comprehensive income (loss)					
		Share capital $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2015		**14,906**	**(56)**	**4,138**	**144,513**	**163,501**	**15,923**	**179,424**
Profit for the year		–	–	–	29,142	29,142	3,731	32,873
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		–	–	6,275	–	6,275	–	6,275
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year, net of income taxes	25	–	–	–	(320)	(320)	–	(320)
Cash flow hedges, net of income taxes		–	(76)	–	–	(76)	–	(76)
Share of other comprehensive income of equity accounted investments, net of income taxes		–	(7)	–	(6)	(13)	–	(13)
Total comprehensive income (loss) for the year		–	(83)	6,275	28,816	35,008	3,731	38,739
Repurchase of Class A shares	32	(16)	–	–	(974)	(990)	–	(990)
Issuance and repurchase of Class B shares	32	95	–	–	(4,641)	(4,546)	–	(4,546)
Investment received from a non-controlling interest		–	–	–	–	–	578	578
Dividends on Class A shares	32	–	–	–	(2,047)	(2,047)	–	(2,047)
Dividends on Class B shares	32	–	–	–	(1,513)	(1,513)	–	(1,513)
Balance as at December 31, 2015		**14,985**	**(139)**	**10,413**	**164,154**	**189,413**	**20,232**	**209,645**

Consolidated Statements of Cash Flows

years ended December 31
(in thousands of Canadian dollars)

	Notes	**2016** **$**	2015 $
Operating activities			
Profit for the year		**18,486**	32,873
Impairment loss related to assets destroyed		**–**	6,066
Gain on insurance recovery of assets		**–**	(6,066)
Items not affecting cash and cash equivalents	33	**29,787**	27,310
Cash generated from operations		**48,273**	60,183
Dividends received from equity accounted investments	20	**2,213**	2,434
Contributions to defined benefit retirement plans	25	**(866)**	(1,119)
Settlement of provisions	30	**(304)**	(126)
Changes in non-cash working capital items	33	**(15,028)**	(11,765)
Income taxes paid		**(7,473)**	(8,842)
		26,815	40,765
Financing activities			
Issuance of long-term debt, net of transaction costs	29	**53,852**	12,642
Repayment of long-term debt	29	**(29,909)**	(9,945)
Interest paid		**(1,867)**	(913)
Issuance of Class B shares	32	**607**	113
Repurchase of Class A shares	32	**(969)**	(990)
Repurchase of Class B shares	32	**(9,484)**	(4,873)
Dividends paid on Class A shares	32	**(2,227)**	(1,956)
Dividends paid on Class B shares	32	**(1,587)**	(1,452)
		8,416	(7,374)
Investing activities			
Customer repayment of an investment in a service contract		**292**	209
Interest received		**206**	320
Cash acquired in a business acquisition	6	**205**	–
Business acquisitions	6	**(5,262)**	–
Investment in a joint venture		**–**	578
Repurchase of a non-controlling interest		**(2,393)**	–
Acquisition of property, plant and equipment	21	**(32,198)**	(26,118)
Proceeds from disposal of property, plant and equipment	21	**363**	704
Acquisition of other financial assets	7	**(4,039)**	–
Acquisition of intangible assets	23	**(33)**	(56)
Repayment of non-current financial assets		**3**	–
Increase of other non-current assets		**(827)**	(10,640)
Disposal of other non-current assets		**68**	–
		(43,615)	(35,003)
Net change in cash and cash equivalents		**(8,384)**	(1,612)
Cash and cash equivalents, beginning of year		**23,811**	26,381
Effect of exchange rate on balances held in foreign currencies of foreign operations		**544**	(958)
Cash and cash equivalents, end of year		**15,971**	23,811
Non-cash transactions and supplemental information	33		

1. General Information

Logistec Corporation provides specialized cargo handling and other services to a wide variety of marine, industrial and municipal customers. The Company has cargo handling facilities in 28 ports in eastern North America; short-line rail transportation services; and marine agency services to foreign shipowners and operators serving the Canadian market. The Company is widely diversified on the basis of cargo type and port location with a balance between import and export activities. Furthermore, the Company, through its subsidiary Sanexen Environmental Services Inc. ("Sanexen"), operates in the environmental sector where it provides services for the trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment and manufacturing of woven hoses.

The Company is incorporated in the Province of Québec and is governed by the Québec Business Corporations Act. Its shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbols LGT.A and LGT.B. The address of its registered office is 360 St. Jacques Street, Suite 1500, Montréal (QC) H2Y 1P5, Canada.

The Company's largest shareholder is Sumanic Investments Inc.

These audited consolidated financial statements were approved by the Company's Board of Directors on March 17, 2017.

2. Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of these consolidated financial statements are set out below.

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments that are measured at fair value, including derivative financial instruments, post-employment benefit assets, post-employment benefit obligations, and provisions for asset retirement obligations.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Subsidiaries

Subsidiaries are all entities controlled by the Company. Control is achieved where the Company has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The subsidiaries continue to be consolidated until the date that such control ceases.

Revenue and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of earnings and of comprehensive income from the effective date of acquisition of control and up to the effective date of loss of control, as appropriate. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred and equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's net assets.

Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

All intra-group transactions, balances, revenue expenses, and cash flows are eliminated on consolidation until they are realized with a third party. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The following subsidiaries are wholly owned by the Company:

Autoterm Inc., BalTerm, LLC, CrossGlobe Transport, Ltd., Excava-Tech Inc., Les Terminaux Rideau Bulk Terminals Inc., Logistec Marine Agencies Inc., Logistec Stevedoring Inc., Logistec Stevedoring (Atlantic) Inc., Logistec Stevedoring (New Brunswick) Inc., Logistec Stevedoring (Nova Scotia) Inc., Logistec Stevedoring (Ontario) Inc., Logistec Stevedoring U.S.A. Inc., Logistec USA Inc., Niedner Inc., Ramsey Greig & Co. Ltd., Sanexen Environmental Services Inc., Sanexen Environnement SAS, Mistral Environment SAS, Sanexen Water, Inc., SETL Real Estate Management Inc., Sorel Maritime Agencies Inc., Tartan Terminals, Inc., 189688 Canada Inc., 3088-6469 Québec inc, and 9223-5555 Québec inc. The Company also holds an 85.82% investment in MtlLINK Multimodal Solutions Inc.

Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity.

Equity Accounted Investments

Equity accounted investments consist of investments in joint ventures and associates of the Company.

Joint Ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake to have joint control over an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. It involves the establishment of a corporation or a partnership and the parties having joint control have rights to the net assets of the arrangement.

Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The profit or loss, assets and liabilities of equity accounted investments are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in a joint venture or associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and of other comprehensive income or loss of the joint venture or associate. When the Company's share of loss of a joint venture or associate exceeds the Company's interest in that joint venture or associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture or associate), the Company discontinues recognizing its share of further losses unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Any excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture or associate recognized at the acquisition date is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after reassessment, is recognized immediately in the consolidated statements of earnings.

When the Company transacts with its joint venture or associate, profit or loss resulting from transactions with the joint venture or associate is recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture or associate that are not related to the Company.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognized when it is probable that the economic benefits will flow to the Company, sale price is determinable, services are rendered or goods are shipped, and collectability is reasonably assured.

The Company earns revenue for stevedoring, material loading and unloading, container stuffing and destuffing, ship dockage, rail and road transportation, storage, tailgating (truck loading and discharging), and marine agency services. Revenue for stevedoring, material loading and unloading, container stuffing and destuffing, ship dockage, rail and road transportation, tailgating and marine agency services is recognized when services are performed. Fees for storage are recognized for material stored at the facilities.

The Company also earns revenue from environmental services relating to the rehabilitation of underground water mains, regulated materials management, site remediation, risk analysis as well as manufacturing of woven hoses. Revenue from rehabilitation of underground water mains, regulated materials management services, site remediation, and risk analysis is recognized based on the stage of completion of work, which, depending on the nature of the revenue arrangement, is determined by surveys of work performed. Revenue is calculated based on billing rates for the services performed or proportionally with its stage of completion at any given time by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract. When using the stage of completion method to recognize revenue, the cumulative effect of changes to anticipated costs and anticipated revenue for completing a contract are recognized in the period in which

the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenue on a contract, such loss is recognized in its entirety in the period it becomes known. Estimates are required to determine the appropriate anticipated costs and revenue. Anticipated revenue on contracts may include future revenue from unapproved change orders, if such additional revenue can be reliably estimated and it is considered probable that it will be recovered. Also, anticipated revenue on contracts may include future revenue from claims, if negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and that it is probable that the amount will be accepted by the customer can be measured reliably. Revenue from manufacturing of woven hoses is recognized when goods are shipped.

Service Concession Arrangements under IFRIC Interpretation 12

IFRIC Interpretation 12, "Service Concession Arrangements", provides guidance on the accounting of certain qualifying public-private partnership arrangements under which the grantor, usually a government:

- Controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- Controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The concessionaire accounts for the assets related to the infrastructure as a financial asset when it does not assume the financial risk associated with the usage of the infrastructure, as an intangible asset when it assumes the demand risk and a mix of both when it shares the demand risk with the grantor.

Revenue from service concession arrangements associated with the construction of an infrastructure is recognized based on the stage of completion of work. Revenue from the operation of the infrastructure is recognized in the period in which the services are rendered. Finance income generated on financial assets is recognized using the effective interest method.

Foreign Currencies

Functional and Presentation Currency

Items included in the financial statements of each of the Company's foreign operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional and presentation currency is the Canadian dollar.

The financial statements of foreign operations that have a functional currency different from that of the Company's presentation currency are translated into Canadian dollars. Assets and liabilities are translated at the rates in effect at the end of the reporting period; revenue and expense items are translated at the rates in effect on transaction dates. Gains or losses arising from translation are recorded in equity under the heading accumulated other comprehensive income – foreign currency translation.

Transactions and Balances

Revenue and expense items arising from transactions in foreign currencies are converted into the functional currency at the rates in effect on transaction dates. Monetary asset and liability items on the consolidated statements of financial position are translated into the functional currency at the rates in effect at the end of the reporting period; non-monetary items are translated at the rates in effect on transaction dates. Exchange gains or losses arising from translation are recognized in the consolidated statements of earnings, except where hedge accounting is applied as described under derivative financial instruments.

Income Taxes

Income tax expense comprises current and deferred income taxes. The income tax expense is recognized in the consolidated statements of earnings except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current Income Taxes

Current income taxes are the expected taxes payable on the taxable profit for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable with respect to previous years.

Deferred Income Taxes

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred Income Tax Assets

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Such deferred income tax assets are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures are only recognized to the extent that it is probable that there will be sufficient taxable profit against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred Income Tax Liabilities

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Such deferred income tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, short-term investments with maturity dates less than three months from the acquisition date, and short-term investments redeemable at all times without penalty.

Trade and Other Receivables

Trade receivables are amounts due from customers for the rendering of services or sale of goods in the normal course of business. Trade and other receivables are classified as current assets if payment is due within one year or less. Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within other expenses in the consolidated statements of earnings.

Work in Progress

Work in progress represents the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings. If progress billings for a given project exceed costs incurred plus recognized profit, then the difference is presented as deferred revenue.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost of work in progress and finished goods includes raw material cost, labour cost and appropriate overhead cost. Net realizable value represents the estimated sale price for inventories less all estimated costs of completion and costs necessary to make the sale.

Investments in Service Contracts

Investments in service contracts are amounts paid by the Company for assets that will be used in service contracts where the customer has the exclusive right to all or a portion of these assets for a specific period and the Company is not able to sell or otherwise use these assets to service others without the customer's consent. The investments are accounted for as financing arrangements based on the return established in the terms of the contracts.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of government grants, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures 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, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of earnings during the period in which they are incurred.

Property, plant and equipment, less their residual value, are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	5 to 25 years
Machinery and automotive equipment	3 to 20 years
Computer equipment	3 to 7 years
Furniture and fixtures	3 to 10 years
Leasehold improvements	4 to 10 years
Automotive equipment held under finance leases	5 years

The estimated useful lives, residual values and method of depreciation are reviewed annually, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is determined by comparing the sales proceeds with the carrying amount of the asset and is included in the consolidated statements of earnings.

Leases

Leases are classified as either operating or finance leases based on the substance of the transaction at the inception of the lease.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Expenses under an operating lease are recognized in the consolidated statements of earnings on a straight-line basis over the period of the lease.

Finance Leases

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation and is classified in long-term debt.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. A finance expense is charged directly to the consolidated statements of earnings, unless it is directly attributable to qualifying assets, in which case it is capitalized.

Government Grants

Government grants related to the acquisition of capital expenditures are reflected as a reduction of the cost of the related assets. Accordingly, they are recognized in the consolidated statements of earnings over the life of the depreciable asset as a reduced depreciation expense. Government grants for expenses are recognized as a reduction of the related expenses. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Goodwill

Goodwill is measured as the excess of the acquisition cost over the Company's share in the fair value of all identified assets and liabilities. Goodwill is initially recognized as an asset at fair value and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU") (or groups of CGUs) expected to benefit from the synergies of the combination, and which represent the lowest level within the Company at which goodwill is monitored for internal purposes.

CGUs to which goodwill has been allocated are tested for impairment annually, except when certain criteria are met, or more frequently when there is an indication that the unit may be impaired. Recoverable amount is the higher of fair value less costs of disposal to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rated on the basis of the carrying amount of each asset in the unit. An impairment loss recognized on goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Intangible Assets

Intangible assets consist primarily of lease rights and location, and client relationships. Intangible assets have finite useful lives and are stated at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Client relationships	2 to 10 years
Computer software	3 to 5 years
Dredging costs	2 years
Lease rights and location	21 years

Research expenditures are recognized as an expense as incurred. Development expenditures are recognized as an intangible asset when all the following criteria can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures that do not meet these criteria are recognized as an expense as incurred. Development expenditures previously recognized as an expense are not recognized as an intangible asset in a subsequent year.

Impairment of Non-Financial Assets Other Than Goodwill

At the end of each reporting date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the

impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of an asset (or CGU) exceeds its recoverable amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is immediately recognized in the consolidated statements of earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of earnings.

Provisions

Provisions include provisions for warranty, claims and litigation, provisions to further recognize the Company's share of losses of certain joint ventures for which it has incurred constructive obligations, and asset retirement obligations. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, when it is probable that the Company will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranty

A subsidiary of the Company provides a limited warranty on its products to be free of defects in material and workmanship for a period of five years from the date goods are sold. The provision is based on management's best estimate of the amount required to settle the obligation.

Claims and Litigation

A provision for claims and litigation is recognized when it is probable that the Company will be held responsible. The provision is based on management's best estimate of the amount required to settle the obligation.

Asset Retirement Obligations

The Company's asset retirement obligations essentially derive from its obligations to remove assets and to restore its sites under operating leases. The fair value of a liability for an asset retirement obligation is recorded in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between independent parties that is other than in a forced or liquidation transaction. The asset retirement cost is capitalized as part of the related asset and is amortized using a systematic and rational method over the asset's useful life.

Post-Employment Benefits

Certain employees have entitlements under the Company's retirement plans which are either defined contribution or defined benefit retirement plans. These plans take different forms depending on the legal, financial and tax regime of each country.

For defined benefit retirement plans, the level of benefit provided is based on the length of service and earnings of the person entitled. Also, the cost of retirement is actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

The retirement liability recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The net interest expense is calculated on the net defined benefit liability (asset) by applying the discount rate used to calculate the defined benefit obligation at the beginning of the year.

Remeasurements are included in other comprehensive income, namely actuarial gains and losses on benefit obligations and return on plan assets excluding amounts included in profit for the year. Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income, without recycling to the consolidated statements of earnings in subsequent periods.

Past service cost is recognized at the earlier of the following two dates:

i. When the plan amendment or curtailment occurs; or
ii. When the entity recognizes related restructuring costs or termination benefits.

Contributions for defined contribution retirement plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are initially recorded at fair value.

Financial Assets

Financial assets are classified as available for sale, at fair value through profit or loss ("FVTPL"), held-to-maturity, or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Classification

Cash and cash equivalents, trade and other receivables, non-current financial assets and investments in service contracts are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of Financial Assets

A financial asset is derecognized when the contractual right to the asset's cash flows expires.

Financial Liabilities

Financial liabilities are classified either as at FVTPL or other financial liabilities.

Classification

Trade and other payables, dividends payable, long-term debt, long-term incentive plans, and workers' compensation are classified as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

Transaction Costs

Transaction costs related to financial liabilities classified as other than held for trading are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest method.

Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative Financial Instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk and to interest risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the consolidated statements of earnings unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship.

Hedge Accounting

Hedge accounting enables the recording of the effective portion of gains or losses from derivative financial instruments in the same period as for those related to the hedged item. The Company designates foreign exchange forward contracts as hedging instruments in respect of foreign currency risk related to some forecasted transactions of non-financial assets as cash flow hedges. The Company also designates interest rate swap contracts as hedging instruments in respect of interest risk related to floating interest rate debts as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge relationship and on

an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading accumulated other comprehensive income – cash flow hedges. The gain or loss relating to the ineffective portion is recorded in the consolidated statements of earnings, if any, and is included in the other gains and losses line item.

The gains and losses previously recognized in other comprehensive income and accumulated in equity related to the forecasted transactions of the non-financial assets are transferred from equity and included in the initial measurement of the cost of the non-financial asset while those related to interest rate swap contracts are reclassified to the consolidated statements of earnings over the period that the floating rate interest payments on debts affect profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized only when the forecasted transaction is ultimately recognized in the consolidated statements of earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the consolidated statements of earnings.

Earnings per Share ("EPS")

Basic EPS are calculated by dividing the profit (loss) for the year attributable to owners of the Company by the weighted average number of Class A and Class B shares outstanding during the year.

Diluted EPS are calculated by adjusting the weighted average number of Class A and Class B shares outstanding for dilutive instruments. Diluted EPS are calculated using the treasury stock method.

Share Capital

Class A and Class B shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Share-Based Payment

Equity-settled share-based payment to employees is measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized prospectively in the consolidated statements of earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3. Application of New and Revised IFRS

On January 1, 2016, the Company adopted the following revised standard:

IAS 1, "Presentation of Financial Statements"

IAS 1 was amended in December 2014 to clarify certain requirements already included in IAS 1 with respect to the application of the concept of materiality, the order of the notes and the presentation of certain line items and subtotals in the statement of financial position, the statement of earnings and the

statement of comprehensive income. It did not have any significant impact on the Company's 2016 consolidated financial statements.

Accounting Standards Issued but not yet Applied

The following accounting standards have been published: IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers"; IFRS 16, "Leases"; and IAS 7, "Statement of Cash Flows". The Company has not yet assessed the impact of these standards on the consolidated financial statements.

IFRS 9, "Financial Instruments"

In July 2014, the final version of IFRS 9 was issued and it replaces IAS 39, "Financial Instruments – Recognition and Measurement". Classification and measurement of financial assets are based on a single approach, which reflects the business model in which they are managed and their cash flow characteristics. Requirements for financial liabilities largely carried forward existing requirements in IAS 39. Expected credit losses will be accounted for from when financial instruments are first recognized and the threshold for recognition of full lifetime expected losses is lowered. A new hedge accounting model is introduced, together with corresponding disclosures about risk management activity. The new hedge accounting model will allow entities to better reflect their risk management activities when hedging financial and non-financial risk exposures in the financial statements.

The standard is to be applied for accounting periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15, issued in May 2014, specifies when and how revenue will be recognized. It provides a single five-step model to be applied to all contracts with customers. It also provides additional disclosure requirements. The standard is to be applied for accounting periods beginning on or after January 1, 2018.

IFRS 16, "Leases"

IFRS 16, issued in February 2016, specifies how to recognize, evaluate and present leases and provide information about them. The standard contains a unique model for lessee accounting which requires the recognition of assets and liabilities for all contracts unless the contract term is 12 months or less or the underlying asset has a low value. However, the recognition by the lessor remains largely unchanged from IAS 17, "Leases", and the distinction between contracts of leasing and contract hire remains single. The standard is effective for accounting periods beginning on or after January 1, 2019.

IAS 7, "Statement of Cash Flows"

IAS 7 was amended in January 2016 to enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's significant accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement of some assets and liabilities in the preparation of these consolidated financial statements includes assumptions made by management, in particular regarding the following items:

Trade Receivables

The Company must make an assessment of whether trade receivables are collectable from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment on a specific basis and, if required, using a set percentage applied to the aging of trade receivables. Trade receivables are written off once determined not to be collectable. If future collections differ from estimates, future profit would be affected.

Goodwill and Other Intangible Assets

Goodwill and certain of the Company's other intangible assets, consisting of lease rights and location, and client relationships arise out of business combinations. The purchase method involves the allocation of the cost of an acquisition to the net assets acquired based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values and estimated useful lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions are used to determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company would record the impact of the change on a prospective basis.

Impairment of Long-Lived Assets, Including Goodwill

At each reporting date, if any indication of impairment exists for long-lived assets, including goodwill, and at least annually for the goodwill, the Company performs an impairment test to determine if the carrying amounts are recoverable. The impairment review process is subjective and requires significant estimates throughout the analysis. Refer to Note 22 for a discussion on the Company's goodwill impairment test.

Deferred Income Taxes

The evaluation of the recoverability of deferred income tax assets is based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable profit. The assessment is based upon existing tax laws and estimates of future taxable profit.

Work in Progress

Work in progress being measured at cost plus profit recorded by the Company to date, to which progress billings are subtracted, the Company must assess the profit to be accounted for on a given contract, which is based on the anticipated profit on the contract and the history for that type of contract.

Prepaid Expenses

The assessment of the current and non-current portions of prepaid expenses relating to a take-or-pay service contract (Note 24) results from management's estimate of the future usage of the services provided.

Post-Employment Benefits

The actuarial techniques used to assess the value of defined benefit retirement plans involve significant financial (discount rate) and demographic (salary increase rate) assumptions. The Company uses the assistance of an independent actuary in the assessment of these assumptions.

The actuarial assumptions used by the Company may differ materially from actual results in future years due to changing market and economic conditions, regulatory events, judicial rulings, withdrawal rates, or participant life spans. Refer to Note 25 for further details on the significant actuarial assumptions used in the measurement of the Company's net benefit liability.

Long-Term Incentive Plans

To determine the expense relating to long-term incentive plans, the Company must assess the probability of attaining each threshold creating a right to the long-term bonus, which depends on the expected results to be achieved.

5. Financial Risk Management

Capital Management

The Company's primary objectives when managing capital are to:

- Maintain a capital structure that allows financing options to the Company in order to benefit from potential opportunities as they arise;
- Provide an appropriate return on investment to its shareholders;
- Maintain a debt/capitalization ratio of less than 40%. The debt/capitalization ratio is defined as long-term debt (including the current portion) over long-term debt (including the current portion) plus equity attributable to owners of the Company.

The Company includes the following in its capital:

- Cash and cash equivalents and short-term investments, if any;
- Long-term debt (including the current portion) and short-term bank loans, if any;
- Equity attributable to owners of the Company.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance its existing debt, raise new debt, pay down debt, repurchase shares for cancellation purposes pursuant to normal course issuer bids or issue new shares.

The Company's Board of Directors determines the level of dividend payments. To date, the practice has been to maintain regular quarterly dividend payments with increases over the years.

The capital managed is as follows:

	As at December 31, 2016 $	As at December 31, 2015 $
Cash and cash equivalents	**15,971**	23,811
Long-term debt, including the current portion	**60,325**	32,079
Equity attributable to owners of the Company	**201,383**	189,413

The Company monitors the debt/capitalization ratio on a quarterly basis. As at December 31, 2016, the ratio is 23.1% based on debt of $60,325 divided by a capitalization of $261,708 (14.5% as at December 31, 2015, based on debt of $32,079 divided by capitalization of $221,492), which is within the Company's objective.

Financial Risk Management

By the nature of the activities carried out and as a result of holding financial instruments, the Company is exposed to credit risk, liquidity risk and market risk, especially interest rate risk and foreign exchange risk.

Credit Risk

Credit risk arises from the possibility that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial and well-established customers, thus reducing its credit risk. On the other hand, the number of customers served by the Company is limited, which increases the risk of business concentration and economic dependency. Overall, the Company serves approximately 1,600 customers. In 2016, the 20 largest customers account for 45.7% (49.0% in 2015) of consolidated revenue and not a single customer accounts for more than 10% of consolidated revenue and trade receivables.

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. Allowance for doubtful accounts and past due receivables are presented in further detail in Note 18.

The Company's maximum exposure to credit risk with respect to each of its financial assets (cash and cash equivalents, investment in a service contract, trade and other receivables, and non-current financial assets) corresponds to its carrying amount.

Liquidity Risk

Liquidity risk is the Company's exposure to the risk of not being able to meet its financial obligations when they become due. The Company monitors its levels of cash and debt, and takes appropriate actions to ensure it has sufficient cash to meet operational needs while ensuring compliance with covenants.

The following are the contractual maturities of financial obligations:

As at December 31, 2016	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	**43,081**	**43,081**	**43,081**	**–**	**–**
Long-term debt [(1)]	**60,707**	**60,707**	**814**	**58,693**	**1,200**
Non-current financial liabilities, excluding the derivative	**12,437**	**12,437**	**1,836**	**2,138**	**8,463**
	116,225	**116,225**	**45,731**	**60,831**	**9,663**

As at December 31, 2015	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	46,352	46,352	46,352	–	–
Long-term debt [(1)]	33,461	33,461	2,582	29,279	1,600
Non-current financial liabilities, excluding the derivative	3,900	3,900	–	3,631	269
	83,713	83,713	48,934	32,910	1,869

[(1)] *Includes principal and interest*

Given the actual liquidity level combined with future cash flows that will be generated by operations, the Company believes that its liquidity risk is low.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's results or the value of its financial instruments. The Company is mainly exposed to interest risk and foreign exchange risk.

Interest Risk

The Company holds interest rate swap contracts related to its debts to swap the floating rate to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations.

Sensitivity Analysis

As at December 31, 2016, the floating rate portion of the Company's long-term debt is 92% (92% in 2015). Taking into account the interest rate swap contracts mentioned above, the floating rate portion is 80% as at December 31, 2016 (50% in 2015). All else being equal, a hypothetical variation of +1.0% in the prime interest rate on the floating rate portion of the Company's long-term debt held as at December 31, 2016, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have had a negative impact of $557 ($160 in 2015) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have had the opposite impact on profit for the year.

Interest Rate Swap Contract

The interest rate swap was designated as a cash flow hedge until September 2016. As at December 31, 2016, the degressive notional principal amount of the outstanding interest rate swap contract was $7,261 ($8,571 in 2015). The floating interest rate on the interest rate swap is CDOR and the fixed interest rate is 1.79%. The interest rate swap contract settles on a monthly basis and will mature on August 27, 2018.

Foreign Exchange Risk

The Company is mainly exposed to fluctuations in the U.S. dollar. The Company considers the risk to be limited and, therefore, does not use derivative instruments to reduce its exposure.

During 2016, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have had a positive impact of $2,205 ($1,589 in 2015) on profit for the year and a positive impact of $2,783 ($2,864 in 2015) on total comprehensive income. A hypothetical weakening of 5.0% of the U.S. dollar against the Canadian dollar would have had the opposite impact on profit for the year and total comprehensive income.

As at December 31, 2016, a total of $42,445 or US$28,966 and €2,507 ($36,115 or US$23,296 and €2,577 in 2015) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2016, a total of $17,775 or US$11,669 and €1,487 ($17,226 or US$11,034 and €1,301 in 2015) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2016 and 2015, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable was not significantly different from their carrying value as at December 31, 2016 and 2015, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of the investment in a service contract was not significantly different from its carrying value as at December 31, 2016 and 2015, as terms and conditions were similar to current conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2016 and 2015, since it mainly bore interest at floating rates and had financing conditions similar to those then available to the Company.

6. Business Acquisitions

On March 8, 2016, the Company acquired Excava-Tech Inc. for $5,562. This acquisition represents a vertical integration for Aqua-Pipe services.

At the acquisition date, the fair value of the underlying identifiable assets acquired and liabilities assumed was as follows:

	Excava-Tech $	Other $	Total $
Current assets	1,704	973	2,677
Property, plant and equipment	5,262	1,244	6,506
Goodwill	2,439	244	2,683
Other non-current financial assets	44	–	44
Current liabilities	(2,000)	(1,431)	(3,431)
Deferred income tax liabilities	(546)	(80)	(626)
Long-term debt	(1,341)	(100)	(1,441)
	5,562	850	6,412
Settlement			
Cash	4,562	700	5,262
Non-interest bearing balance of sale, payable in two annual instalments of $500 in 2017 and 2018 for Excava-Tech Inc. and in one annual instalment in 2018 for the other company	1,000	150	1,150
	5,562	850	6,412

Receivables acquired (consisting primarily of trade receivables) as part of the acquisitions had a fair value and gross contractual amounts of $1,610, and were collected for the most part and are expected to be fully collected.

Goodwill

Goodwill mainly arose in the acquisitions as a result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

Impact of the Acquisitions on the Results of the Company

For the year ended December 31, 2016, revenue amounted to $2,190 and profit for the year was not significant.

Had these business acquisitions been made effective January 1, 2016, the Company's revenue would have amounted to $345,197 and profit for the year would have been $17,855.

7. Revenue

	2016	2015
	$	$
Revenue from the sale of goods	**39,769**	35,257
Revenue from the rendering of services	**303,458**	322,583
Interest revenue from an investment in a service contract	**99**	168
	343,326	358,008

Contract in the scope of IFRIC 12

In 2015, the Company won a public bid and entered into a service contract with a federal Crown corporation and a department of the Québec government whereby the Company was required to design and construct a groundwater pumping and treatment system (the "system") to better control migration of groundwater and to prevent it from flowing into the St. Lawrence River. The contract is for a period of 15 years.

The federal Crown corporation and the department of the Québec government jointly assume the management of the land bordering the St. Lawrence River.

In connection with the construction of the system, the Company recorded revenue of $7,407 ($1,850 in 2015). Payment of the total amount is as follows: 40% at the provisional completion of construction, 10% upon final completion of the construction, and 50% spread over the number of quarters corresponding to the period beginning on the date of the provisional completion and ending at the end of the initial term of 15 years, payable quarterly. The Company expects to recover an aggregate amount of $5,530 in 2017, therefore this amount is presented in current assets. An amount of $4,563 is included in accounts receivable and other receivables, including $1,243 in consumption taxes, and an amount of $968 is included in the current portion of other non-current financial assets. Also, an amount of $4,012, which bears interest at a rate of 5.0%, is included in other non-current financial assets.

8. Employee Benefits Expense

The aggregate compensation of the Company's employees, including that of members of key management personnel, is as follows:

	2016	2015
	$	$
Wages, salaries and fringe benefits	**150,717**	167,068
Defined benefit retirement plans (Note 25)	**1,498**	1,506
Defined contribution retirement plans (Note 25)	**1,982**	1,975
Government pension plans	**1,863**	1,661
Perigovernmental organization pension plan	**442**	303
Other long-term benefits	**2,282**	4,440
	158,784	176,953

The compensation of key management personnel is further discussed in Note 34.

9. Other Gains and Losses

	2016	2015
	$	$
Net foreign exchange gains (losses)	**(1,046)**	3,340
Impairment loss related to assets destroyed (Note 39)	**–**	6,449
Gain on insurance recovery of assets (Note 39)	**–**	(6,449)
Gain on disposal of property, plant and equipment	**701**	252
Gain on judgment and general mutual release with a third party	**–**	1,936
	(345)	5,528

10. Finance Expense

	2016	2015
	$	$
Interest on short-term bank loans	**154**	16
Interest on long-term debt	**1,711**	896
Amortization of transaction costs and other interest expense	**29**	24
	1,894	936

11. Finance Income

	2016	2015
	$	$
Interest on cash and cash equivalents	**177**	259
Interest on non-current financial assets	**–**	3
Other	**17**	51
	194	313

12. Income Taxes

The reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense is as follows:

	2016	2015
	$	$
Profit before income taxes	**25,754**	43,161
Less: share of profit of equity accounted investments	**(4,310)**	(4,264)
Parent company's and subsidiaries' profit before income taxes	**21,444**	38,897
Income tax expense calculated at the statutory income tax rate of 26.63% (27.89% in 2015)	**5,711**	10,847
Non-deductible items	**516**	216
Effect of recognition of previous capital losses	**655**	(417)
Adjustments in respect of prior years and other	**386**	(358)
Income tax expense recognized in profit or loss	**7,268**	10,288
Effective income tax rate	**33.90%**	26.45%

Components of the income tax expense for the years are as follows:

	2016 **$**	2015 $
Current income taxes		
Current income tax expense in respect of the current year	**5,383**	8,809
Adjustments in respect of the prior year	**299**	(15)
Deferred income taxes		
Deferred income tax expense recognized in the year	**1,586**	1,494
Income tax expense recognized in profit or loss	**7,268**	10,288

Deferred Income Tax Balances

The amounts recognized in the consolidated statements of financial position are as follows:

	As at December 31, 2016 **$**	As at December 31, 2015 $
Deferred income tax assets	**7,715**	9,032
Deferred income tax liabilities	**(13,382)**	(12,433)
	(5,667)	(3,401)

Deferred income tax balances for which a right of offset exists within the same jurisdiction are presented net in the consolidated statements of financial position as permitted by IAS 12, “Income Taxes”.

The movements in deferred income tax assets and liabilities, prior to this offsetting of balances, are shown below:

Deferred income tax assets	Property, plant and equipment $	Unused tax losses $	Post-employment benefits $	Other intangible assets $	Other $	Total $
As at January 1, 2015	**1,931**	**4,291**	**2,992**	**248**	**2,330**	**11,792**
Benefit (expense) to statement of earnings	77	(581)	127	(67)	663	219
Benefit to statement of comprehensive income	–	–	118	–	–	118
Effect of foreign currency exchange differences	(212)	262	–	–	185	235
As at December 31, 2015	**1,796**	**3,972**	**3,237**	**181**	**3,178**	**12,364**
Acquisitions through business acquisitions (Note 6)	–	–	–	–	7	7
Benefit (expense) to statement of earnings	(142)	253	197	(106)	627	829
Benefit to statement of comprehensive income	–	–	(168)	–	(110)	(278)
Effect of foreign currency exchange differences	52	(10)	–	–	(48)	(6)
As at December 31, 2016	**1,706**	**4,215**	**3,266**	**75**	**3,654**	**12,916**

Deferred income tax liabilities	Property, plant and equipment $	Investment in a service contract $	Contract holdbacks $	Other intangible assets $	Other $	Total $
As at January 1, 2015	**(3,053)**	**(369)**	**(2,470)**	**(6,418)**	**(413)**	**(12,723)**
Benefit (expense) to statement of earnings	(1,565)	57	(754)	147	402	(1,713)
Effect of foreign currency exchange differences	–	–	–	(1,329)	–	(1,329)
As at December 31, 2015	**(4,618)**	**(312)**	**(3,224)**	**(7,600)**	**(11)**	**(15,765)**
Acquisitions through business acquisitions (Note 6)	(608)	–	(25)	–	–	(633)
Benefit (expense) to statement of earnings	(2,564)	291	(404)	508	(246)	(2,415)
Effect of foreign currency exchange differences	–	–	–	230	–	230
As at December 31, 2016	**(7,790)**	**(21)**	**(3,653)**	**(6,862)**	**(257)**	**(18,583)**

Unused Tax Losses

The Company has unused non-capital tax losses in the amount of $19,543 ($18,906 in 2015) of which $5,562 has not been recognized ($4,809 in 2015). These losses are expiring in the following years:

Year	**As at December 31, 2016 $**	As at December 31, 2015 $
2026 to 2029	**233**	233
2030	**60**	3,062
2031	**213**	6,217
2032	**6,336**	657
2033	**1,083**	1,083
2034	**4,855**	4,882
2035	**3,640**	2,772
2036	**3,123**	–

Tax benefits of $3,574 ($3,972 in 2015) have been recorded related to unused non-capital tax losses, including $2,058 ($2,489 in 2015) from foreign subsidiaries. The Company also has $1,639 ($552 in 2015) of unrecognized capital losses that may be carried forward indefinitely.

13. Operating Lease Arrangements

The Company as Lessee

Lease Arrangements

Operating leases relate to lease agreements to rent offices, port facilities, and equipment that expire until 2031. The Company has the option to purchase some of the leased equipment at the end of the lease terms. The Company also has the option to renew certain lease arrangements to rent offices, port facilities and equipment. Contingent rentals are determined based on the volume and type of cargo handled.

Payments recognized are as follows:

	2016	2015
	$	$
Minimum lease payments	**14,819**	15,419
Contingent rentals	**6,411**	6,840
Sublease payments received	**(1,655)**	(825)
	19,575	21,434

Future minimum sublease payments amounting to $61 ($327 in 2015) are expected to be received.

The Company's commitments under operating lease arrangements are further discussed in Note 37.

14. Earnings Per Share

The earnings and weighted average number of Class A shares and Class B shares used in the calculation of basic and diluted earnings per share are as follows:

	2016	2015
Profit attributable to owners of Class A shares ($)	**11,040**	16,745
Profit attributable to owners of Class B shares ($)	**7,818**	12,397
	18,858	29,142
Weighted average number of Class A shares outstanding, basic	**7,419,847**	7,446,514
Weighted average number of Class B shares outstanding, basic	**4,777,058**	5,011,558
	12,196,905	12,458,072
Weighted average number of Class A shares outstanding, diluted	**7,419,847**	7,446,514
Weighted average number of Class B shares outstanding, diluted	**5,348,861**	5,011,558
	12,768,708	12,458,072

15. Financial Instruments

Financial assets and financial liabilities in the consolidated statements of financial position are as follows:

Carrying amount	**As at December 31, 2016 $**	As at December 31, 2015 $
Loans and receivables		
Cash and cash equivalents	**15,971**	23,811
Investment in a service contract	**865**	1,157
Trade and other receivables	**86,373**	77,333
Other financial assets	**1,014**	–
Non-current financial assets	**7,166**	5,019
	111,389	107,320
Other financial liabilities		
Trade and other payables	**43,081**	46,352
Dividends payable	**947**	967
Current portion of long-term debt	**1,681**	2,159
Long-term debt	**58,644**	29,920
Non-current financial liabilities, excluding the derivative	**12,437**	3,900
	116,790	83,298

The fair value of the Company's financial instruments is discussed in Note 5.

16. Cash and Cash Equivalents

	As at December 31, 2016 $	As at December 31, 2015 $
Cash on hand and in banks	**15,971**	23,811

17. Investment in a Service Contract

	As at December 31, 2016 $	As at December 31, 2015 $
Investment in a service contract	**865**	1,157

The investment in a service contract, bearing interest at 9.66%, requires fixed monthly repayments of $33 (including principal and interest). The contract was renewed in December 2014 and will continue through January 2017.

Amounts receivable for this investment in a service contract are as follows:

	Minimum payments		Present value of minimum payments	
	As at December 31, 2016 $	As at December 31, 2015 $	**As at December 31, 2016 $**	As at December 31, 2015 $
No later than 1 year	**872**	1,169	**865**	1,157
Less: unearned finance income	**(7)**	(12)	**–**	–
Present value of minimum payments	**865**	1,157	**865**	1,157

18. Trade and Other Receivables

	As at December 31, 2016 $	As at December 31, 2015 $
Trade receivables	**71,106**	57,775
Allowance for doubtful accounts	**(2,848)**	(2,519)
Net trade receivables	**68,258**	55,256
Accrued revenue	**6,667**	5,367
Contract holdbacks	**5,831**	7,023
Insurance reimbursement receivable related to claims	**3,290**	6,446
Other	**2,327**	3,241
	86,373	77,333

Pursuant to their respective terms, trade and other receivables are aged as follows:

	As at December 31, 2016 $	As at December 31, 2015 $
Current	**28,342**	24,315
31-60 days	**21,216**	21,818
Past due 1-30 days	**16,135**	12,296
Past due 31-60 days	**9,445**	5,089
Past due 61-120 days	**1,253**	2,152
Past due over 121 days [(1)]	**9,982**	11,663
	86,373	77,333

[(1)] *Includes contract holdbacks amounting to $1,885 ($4,163 in 2015)*

The movements in the allowance for doubtful accounts were as follows:

	2016 $	2015 $
Balance, beginning of year	**2,519**	1,480
Bad debt expense	**462**	1,012
Reversals (write offs)	**(133)**	27
Balance, end of year	**2,848**	2,519

Credit risk exposure and mitigation are further discussed in Note 5.

19. Inventories

	As at December 31, 2016 $	As at December 31, 2015 $
Raw materials	**1,661**	1,943
Work in progress	**2,525**	1,556
Finished goods	**608**	842
Consumables	**2,712**	2,212
	7,506	6,553

The cost of inventories recognized as an expense during the year is $41,205 ($38,809 in 2015).

20. Equity Accounted Investments

Investments in Joint Ventures

The Company's results include its share of operations in joint ventures, which are accounted for using the equity method. The Company's 50%-equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., Quebec Maritime Services Inc., 9260-0873 Québec Inc. and Flexiport Mobile Docking Structures Inc. and a 49%-equity interest in Qikiqtaaluk Environmental Inc. and Avataani Environmental Services Inc.

None of the Company's joint ventures are publicly listed entities and, consequently, do not have published price quotations.

The Company has one significant joint venture, Termont Terminal Inc., specialized in handling containers, which is aligned with the Company's core business. The address of Termont Terminal Inc.'s registered office is Port of Montréal, Section 68, P.O. Box 36, Station. K, Montréal (QC) H1N 3K9, Canada.

The following tables summarize the financial information of Termont Terminal Inc.:

	2016 $	2015 $
Statement of financial position		
Current assets (including cash and cash equivalents of $1,402 ($1,094 in 2015))	**3,214**	2,857
Non-current assets	**34,224**	30,584
Current liabilities	**(284)**	(57)
Net assets	**37,154**	33,384
The Company's share of net assets presented as equity accounted investments	**18,578**	16,692
Results		
Revenue	**2,782**	2,514
Share of profit of an equity accounted investment	**3,638**	3,095
Interest income	**12**	17
Income taxes	**(599)**	(537)
Profit for the year	**5,270**	4,546
Other comprehensive income (loss)	**2**	(2)
Total comprehensive income for the year	**5,272**	4,544
The Company's share of profit for the year	**2,635**	2,273
The Company's share of total comprehensive income for the year	**2,636**	2,272
Dividend received by the Company	**750**	1,000

The Company also has interests in individually immaterial joint ventures. The following table provides, in aggregate, the financial information for the Company's share of all immaterial joint ventures:

	2016 **$**	2015 $
Carrying amount of interests in individually immaterial joint ventures	**12,530**	12,237
Profit for the year	**1,663**	1,970
Other comprehensive income	**23**	2
Total comprehensive income for the year	**1,686**	1,972
Dividends received by the Company	**1,463**	1,403

Investments in Associates

The Company's results include its share of operations in associates, which are accounted for using the equity method. The Company's equity interests are in the following associates, none of which is individually material: Sept-Îles Mooring Inc. (33.3% ownership), and St-Lawrence Mooring Inc. (25.0% ownership).

None of the Company's associates are publicly listed entities and, consequently, do not have published price quotations.

The following table provides, in aggregate, the financial information of all immaterial associates:

	2016 **$**	2015 $
Carrying amount of interests in associates	**33**	22
Profit for the year and total comprehensive income for the year	**12**	21

21. Property, Plant and Equipment

Cost	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at January 1, 2015	**42,297**	**128,772**	**3,173**	**5,039**	**5,166**	**184,447**
Additions	7,608	12,024	230	–	5,264	25,126
Disposals and write offs	(1,001)	(8,166)	(81)	(262)	–	(9,510)
Transfers	3,899	302	–	(56)	(4,145)	–
Effect of foreign currency exchange differences	1,103	5,588	68	647	401	7,807
As at December 31, 2015	**53,906**	**138,520**	**3,390**	**5,368**	**6,686**	**207,870**
Additions	9,160	11,019	238	385	13,775	34,577
Addition through business acquisitions (Note 6)	1,741	4,756	9	–	–	6,506
Disposals and write offs	(68)	(6,376)	(58)	–	–	(6,502)
Transfers	4,932	66	–	–	(4,998)	–
Effect of foreign currency exchange differences	(267)	(928)	(20)	(117)	(43)	(1,375)
As at December 31, 2016	**69,404**	**147,057**	**3,559**	**5,636**	**15,420**	**241,076**

Accumulated depreciation	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at January 1, 2015	**8,268**	**70,196**	**2,144**	**4,176**	**–**	**84,784**
Depreciation expense	1,175	9,216	361	121	–	10,873
Elimination on disposal of assets and write offs	(106)	(2,481)	(75)	(262)	–	(2,924)
Effect of foreign currency exchange differences	692	2,768	55	600	–	4,115
As at December 31, 2015	**10,029**	**79,699**	**2,485**	**4,635**	**–**	**96,848**
Depreciation expense	2,002	10,318	407	131	–	12,858
Elimination on disposal of assets and write offs	(68)	(6,405)	(37)	–	–	(6,510)
Effect of foreign currency exchange differences	(14)	(562)	(24)	(111)	–	(711)
As at December 31, 2016	**11,949**	**83,050**	**2,831**	**4,655**	**–**	**102,485**

Carrying amount	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at December 31, 2015	43,877	58,821	905	733	6,686	111,022
As at December 31, 2016	**57,455**	**64,007**	**728**	**981**	**15,420**	**138,591**

22. Goodwill

Cost

	2016 $	2015 $
Balance, beginning of year	**23,915**	22,707
Business acquisitions (Note 6)	**2,683**	–
Effect of foreign currency exchange differences	**(399)**	1,208
Balance, end of year	**26,199**	23,915

Accumulated Impairment Losses

	2016 $	2015 $
Balance, beginning and end of year	**1,300**	1,300

Carrying Amount

	As at December 31, 2016 $	As at December 31, 2015 $
Cost	**26,199**	23,915
Accumulated impairment losses	**(1,300)**	(1,300)
	24,899	22,615

Impairment Testing

The carrying amount of goodwill has been allocated to the following CGUs or groups of CGUs:

Carrying amount	**As at December 31, 2016 $**	As at December 31, 2015 $
Stevedoring	**13,194**	13,370
Aqua-Pipe	**6,038**	3,598
Environment	**5,482**	5,462
Agencies	**185**	185
	24,899	22,615

The recoverable amount of all CGUs or groups of CGUs has been determined based on value in use, which is calculated by discounting five-year cash flow projections from the budget approved by the Board of Directors covering a one-year period. These cash flow projections reflect past experience and future expectations of financial performance. A growth rate of 3.0% (3.0% in 2015) has been used to extrapolate cash flow projections beyond that one-year period.

The discount rates, before income taxes, used to calculate value in use are based on market data and were 9.1% (9.3% in 2015) for Stevedoring, 13.3% (7.6% in 2015), for Aqua-Pipe and 13.1% (7.4% in 2015) for Environment.

The 2014 calculation of value in use for Aqua-Pipe and Environment, which represented the most recent calculation of value in use, was used for the impairment test as at December 31, 2015, since the following criteria were met:

- The assets and liabilities making up the CGU have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU is remote.

23. Other Intangible Assets

Cost	Lease rights and location $	Client relationships $	Dredging costs $	Computer software $	Total $
As at January 1, 2015	**17,286**	**6,313**	**317**	**1,893**	**25,809**
Additions	–	–	–	56	56
Effect of foreign currency exchange differences	3,337	649	53	49	4,088
As at December 31, 2015	**20,623**	**6,962**	**370**	**1,998**	**29,953**
Additions	–	–	–	33	33
Fully amortized	–	(1,900)	–	–	(1,900)
Effect of foreign currency exchange differences	(615)	(120)	(12)	(9)	(756)
As at December 31, 2016	**20,008**	**4,942**	**358**	**2,022**	**27,330**

Accumulated amortization	Lease rights and location $	Client relationships $	Dredging costs $	Computer software $	Total $
As at January 1, 2015	**1,948**	**3,764**	**270**	**1,541**	**7,523**
Amortization expense	896	374	8	177	1,455
Effect of foreign currency exchange differences	443	185	51	49	728
As at December 31, 2015	**3,287**	**4,323**	**329**	**1,767**	**9,706**
Amortization expense	921	384	6	119	1,430
Fully amortized	–	(1,900)	–	–	(1,900)
Effect of foreign currency exchange differences	(85)	(36)	(9)	(9)	(139)
As at December 31, 2016	**4,123**	**2,771**	**326**	**1,877**	**9,097**

Carrying amount	Lease rights and location $	Client relationships $	Dredging costs $	Computer software $	Total $
As at December 31, 2015	17,336	2,639	41	231	20,247
As at December 31, 2016	**15,885**	**2,171**	**32**	**145**	**18,233**

Research and Development Expenditures

Research and development expenditures of $819 ($709 in 2015) were recognized as an expense during the year.

24. Other Non-Current Assets

	As at December 31, 2016 $	As at December 31, 2015 $
Amount owed from a joint venture (Note 34)	**(118)**	132
Prepaid expenses	**69**	3,333
Other	**1,583**	1,729
	1,534	5,194

Prepaid expenses

In 2015, Sanexen disbursed $10,000, which bears interest at 2.00%, as part of a take-or-pay service contract with a supplier. That contract will end in February 2018. Any use of services by the Company from this supplier will result in a corresponding reduction of prepaid expenses. At the end of the contract, in the event that the Company has not used all the services provided in the contract, the Company will not be reimbursed. As at December 31, 2016, prepaid expenses related to that contract amounted to $1,914 ($8,180 in 2015), of which $1,914 ($4,847 in 2015) was presented as a current asset. As at December 31, 2015, $3,333 was presented as a non-current asset.

25. Post-Employment Benefit Assets and Obligations

The Company has various defined benefit and defined contribution retirement plans providing retirement benefits to its employees.

The projected benefit obligation as at December 31, 2016, has been extrapolated using the projected benefit obligation based on the latest actuarial valuations.

The most recent actuarial valuations of the retirement plans for funding purposes were as of December 31, 2013 for two of the plans, and as of December 31, 2015 for the other plan. The next required valuations are as of December 31, 2016 for these plans.

The Company's retirement plans may be exposed to various types of risks. The Company has not identified any unusual risks to which its retirement plans are exposed. Regular asset-liability matching analyses are performed in order to align the investment policy with the plans' obligations. Allocation to fixed income investments is then adjusted following the plans' obligations evolution. Fixed income investments are made up of bonds and annuities. Annuities are purchased when opportunities arise on financial markets.

The weighted average duration of the defined benefit obligation is 16.2 years.

The following table presents information concerning the defined benefit retirement plans, as established by an independent actuary:

	2016 **$**	2015 $
Benefit obligation, beginning of year	**(28,476)**	(26,685)
Current service cost	**(1,121)**	(1,125)
Interest cost	**(1,179)**	(1,106)
Employees' contributions	**(166)**	(175)
Remeasurement losses		
Actuarial loss arising from changes in economic assumptions	**–**	(53)
Actuarial loss arising from experience adjustments	**(82)**	(235)
Benefits paid	**598**	903
Past service cost	**43**	–
Benefit obligation, end of year	**(30,383)**	(28,476)
Fair value of plan assets, beginning of year	**16,540**	15,358
Interest income	**674**	638
Return on plan assets, excluding amounts included in interest income	**940**	56
Administrative fees	**(13)**	(12)
Employer's contributions [(1)]	**981**	1,228
Employees' contributions	**166**	175
Benefits paid	**(598)**	(903)
Fair value of plan assets, end of year	**18,690**	16,540
Net benefit liability, end of year	**(11,693)**	(11,936)
Net benefit liability is comprised of:		
Post-employment benefit assets	**706**	522
Post-employment benefit obligations [(2)]	**(12,399)**	(12,458)
Net benefit liability, end of year	**(11,693)**	(11,936)

(1) *Employer's contributions include contributions made by an equity accounted investment of the Company of $115 ($109 in 2015)*

(2) *Post-employment benefit obligations in the consolidated statements of financial position include $677 ($497 in 2015) for defined contribution retirement plans provided to certain members of key management personnel, for which no contributions were made*

The following table provides the reconciliation of the benefit obligation, the fair value of plan assets and plan deficit in respect of wholly and partially funded plans, and unfunded plans:

	Wholly and partially funded		Unfunded		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Benefit obligation	**(19,069)**	(18,078)	**(11,314)**	(10,398)	**(30,383)**	(28,476)
Fair value of plan assets	**18,690**	16,540	**–**	–	**18,690**	16,540
Plan deficit	**(379)**	(1,538)	**(11,314)**	(10,398)	**(11,693)**	(11,936)

Plan assets consist of:

	As at December 31, 2016	As at December 31, 2015
	$	$
Cash	**–**	38
Bonds	**6,610**	5,778
Annuity contracts	**3,255**	3,338
Canadian stock	**4,075**	2,610
Foreign stock	**4,750**	4,776
	18,690	16,540

The following table provides the reconciliation of the net expense for all defined benefit and defined contribution retirement plans in the employee benefits expense in the consolidated statements of earnings for the years ended December 31:

	2016	2015
	$	$
Current service cost	**1,121**	1,125
Net interest expense	**505**	468
Past service cost	**(43)**	–
Administrative fees	**13**	12
	1,596	1,605
Less: net expense assumed by an equity accounted investment of the Company	**(99)**	(99)
Defined benefit cost recognized	**1,497**	1,506
Net expense on defined contribution retirement plans	**1,982**	1,975
Net expense for all defined benefit and defined contribution retirement plans	**3,479**	3,481

Significant Actuarial Assumptions

The significant actuarial assumptions used in the measurement of the Company's net benefit liability are as follows:

	2016	2015
	%	%
Accrued benefit liability		
Discount rate, end of year	**4.0**	4.0
Expected rate of compensation increase	**3.5 to 4.0**	3.5 to 4.0
Benefit cost		
Discount rate	**4.0**	4.0
Expected rate of compensation increase	**3.5**	3.5

Sensitivity Analysis

As at December 31, 2016, all else being equal, a hypothetical variation of +1.0% in the discount rate would have a positive impact of $4,411 ($4,243 in 2015), whereas a hypothetical variation of -1.0% would have a negative impact of $5,600 ($5,411 in 2015) on the benefit obligation.

As at December 31, 2016, all else being equal, a hypothetical variation of +1.0% in the expected rate of compensation increase would have a negative impact of $1,320 ($1,374 in 2015), whereas a hypothetical variation of -1.0% would have a positive impact of $1,221 ($1,275 in 2015) on the benefit obligation.

Contributions to Retirement Plans

Total cash payments for post-employment benefits for 2016, consisting of cash contributed by the Company to its funded retirement plans, cash payments made directly to beneficiaries for its unfunded other benefit retirement plans, and cash contributed to its defined contribution retirement plans, were $2,542 ($2,598 in 2015).

The Company expects to make a contribution of $1,387 to the defined benefit retirement plans in 2017.

26. Non-Current Financial Assets

	As at December 31, 2016 $	As at December 31, 2015 $
Other non-current assets (Note 7)	**4,039**	–
Contract holdbacks	**3,127**	5,019
	7,166	5,019

27. Short-Term Bank Loans

Until September 2016, the Company had access, through its subsidiary Sanexen, to a $10,000 revolving line of credit or the U.S. dollar equivalent (see Note 29). As at December 31, 2015, the line of credit was unused.

Under the conditions of the agreement, the Company had to satisfy certain restrictive covenants as to minimum financial ratios (see Note 29). As at December 31, 2015, the Company was in compliance with all its bank loan covenants.

28. Trade and Other Payables

	As at December 31, 2016 $	As at December 31, 2015 $
Trade payables	**19,106**	19,274
Accruals	**18,121**	25,065
Other	**5,854**	2,013
	43,081	46,352

29. Long-Term Debt

	As at December 31, 2016 $	As at December 31, 2015 $
Revolving credit facility, bearing interest at banker's prime rate with no principal repayment required until September 2020 [(1) (2)]	**55,699**	16,000
Term credit facility, bearing interest at CDOR plus 1.75%, reimbursed in September 2016 [(2)]	**–**	13,393
Non-interest bearing government loan, repayable in 60 monthly instalments of $33, starting January 2018, maturing in 2022	**2,000**	1,642
Balance of sale from business acquisitions, bearing no interest, maturing in 2018 (see Note 6)	**1,150**	–
Non-interest bearing loan to purchase equipment, repayable in 2018	**229**	–
Other	**1,247**	1,065
	60,325	32,100
Less:		
Current portion	**1,681**	2,159
Deferred financing costs	**–**	21
	58,644	29,920

[(1)] *As of September 7, 2016, the Company and its wholly owned subsidiary, Logistec USA Inc., solidarily entered into a $100,000 credit agreement.*

The credit facility details are as follows:

- *A $100,000 four-year committed revolving credit facility or the U.S. dollar equivalent, to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility can be used in the form of direct advances, bankers' acceptances, and letters of credit.*

The interest rate charged on the borrowings made under this agreement depends on the form of the borrowing, to which is added a margin that varies according to the level of funded debt to EBITDA [(i)] ratio achieved by the Company.

This facility is secured by a $30,000 first-ranking movable and immovable hypothec on all present and future assets of a subsidiary. As at December 31, 2016, the security includes inventories amounting to $5,414 and property, plant and equipment with a carrying value of $34,004.

[(2)] *Prior to September 7, 2016, the Company and its wholly owned subsidiary, Logistec USA Inc., solidarily had a $50,000 unsecured credit agreement.*

The credit facility details were as follows:

- *A $50,000 three-year committed revolving credit facility or the U.S. dollar equivalent, to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility could be used in the form of direct advances, bankers' acceptances, and letters of credit.*

The interest rate charged on the borrowings made under this agreement depended on the form of the borrowing, to which was added a margin that varied according to the level of funded debt to EBITDA ratio achieved by the Company.

In addition, a subsidiary of the Company and its wholly owned subsidiary solidarily had a $25,000 credit facility agreement.

The credit facility details were as follows:

- *A $10,000 revolving facility or the U.S dollar equivalent, renewable annually, to be used as a line of credit for short-term cash flow needs; and*
- *A $15,000 term loan used principally to finance the expansion of the subsidiary's woven-hose manufacturing facility. This term loan was reimbursed in September 2016. To decrease its sensitivity to interest rate fluctuations, the subsidiary of the Company entered into an interest rate swap contract to partially swap the CDOR rate to a fixed rate of 1.79%.*

This facility was secured by a $30,000 first-ranking movable and immovable hypothec on all present and future assets of the subsidiary. As at December 31, 2015, the security included inventories amounting to $4,633 and property, plant and equipment has a carrying value of $22,999.

The interest charged on the borrowings made under this agreement was based on a rate calculated using the bank's prime rate or banker's acceptance rate or LIBOR rate, which depended on the form of borrowing, to which was added a margin that varied according to the level of funded debt to EBITDA ratio achieved by the subsidiary.

Under the conditions attached to its long-term debt, the Company must satisfy certain restrictive covenants as to minimum financial ratios, which are EBIT [(ii)] to interest and funded debt to EBITDA. As at December 31, 2016 and December 31, 2015, the Company was in compliance with all its covenants.

[(i)] *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest, income taxes, depreciation and amortization expense, and customer repayment of investment in a service contract*

[(ii)] *EBIT is a non-IFRS measure and is calculated as EBITDA, less depreciation and amortization expense*

Long-term debt matures as follows:

Total principal repayments required	**As at December 31, 2016 $**	As at December 31, 2015 $
Less than 1 year	**1,681**	2,159
Between 1 and 5 years	**58,244**	29,284
More than 5 years	**400**	657
	60,325	32,100

30. Provisions

	Claims and litigation $	Share of losses of certain joint ventures $	Other $	Total $
As at December 31, 2015	**973**	**462**	**599**	**2,034**
Additional provisions	561	24	213	798
Settlement of provisions	(304)	–	(120)	(424)
Reversal of provisions	(129)	–	(135)	(264)
As at December 31, 2016	**1,101**	**486**	**557**	**2,144**
Less: current provisions	1,101	–	243	1,344
Non-current provisions	**–**	**486**	**314**	**800**

Other provisions include provisions for warranty and provisions for asset retirement obligations. Provisions for asset retirement obligations essentially derive from the obligation to remove assets and to restore the sites under operating leases expiring until 2025.

Reimbursements

An amount of $3,290 ($6,446 in 2015) is recognized as an asset in trade and other receivables relative to the reimbursement to be received from the insurance company in connection with claims.

31. Non-Current Financial Liabilities

	As at December 31, 2016 $	As at December 31, 2015 $
Long-term incentive plans	**1,944**	3,108
Workers' compensation	**768**	792
Long-term liabilities due to shareholders (Note 32)	**9,725**	–
Other	**77**	167
	12,514	4,067

32. Share Capital

Authorized in an unlimited number:

- First Ranking Preferred Shares, non-voting, issuable in series;
- Second Ranking Preferred Shares, non-voting, issuable in series;
- Class A Common Shares, without par value, 30 votes per share, convertible into Class B Subordinate Voting Shares at the holder's discretion;
- Class B Subordinate Voting Shares, without par value, one vote per share, entitling their holders to receive a dividend equal to 110% of any dividend declared on each Class A Common Share.

Issued and outstanding [(1)]	**As at December 31, 2016 $**	As at December 31, 2015 $
7,412,722 Class A shares (7,436,322 in 2015)	**4,899**	4,915
4,744,300 Class B shares (4,964,300 in 2015)	**10,719**	10,070
	15,618	14,985

[(1)] *All issued and outstanding shares are fully paid*

Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, Logistec entered into an agreement to acquire the remaining 29.78% equity interest it did not already own in Sanexen for an aggregate consideration of $40,818.

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), resulting in Logistec holding 100% of the common shares of Sanexen.

Immediately following the share exchange, Logistec and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which Logistec was granted call options, exercisable in whole or in part at any time, to acquire from the non-controlling interest shareholders their Class G shares for cash consideration of $15,920, and to acquire their Class H shares in exchange for 754,015 Class B shares in the capital of Logistec with a value of $24,898.

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to Logistec their Class G shares upon certain events, including termination of employment, and a put option to sell to Logistec their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to Logistec. A 40% discount, representing $4,518, will be applied to the purchase price of the Class G shares of certain non-controlling interest shareholders should they leave Sanexen voluntarily before March 24, 2021.

As at March 24, 2016, Logistec recorded a long-term liability amounting to $8,856, representing the present value of the option to repurchase, for cash, the Class G shares of Sanexen amounting to $11,402, net of the retention discount of 40% described above, and a corresponding decrease to non-controlling interest. The accretion of the long-term liability will be recorded as a charge to interest expense over the expected life of the option. An additional liability amounting to $4,518 will be recorded on a straight-line basis, over a period of 60 months related to the retention discount through a charge to compensation expense.

As at March 24, 2016, Logistec also recorded share capital to be issued amounting to $24,898, representing the fair value at the transaction date of the Class B shares to be issued, related to the option to acquire the Class H shares in exchange for 754,015 Class B shares in the capital of Logistec, as described above, and a corresponding decrease to retained earnings. The fair value of the Class B shares to be issued was determined using a Black-Scholes option pricing model based on assumptions of the volatility of Logistec Class B shares, dividend yield and interest rates, resulting in a fair value of $33.02 per share.

Also in March 2016, but not as part of the transaction described above, Logistec disbursed $2,392 to repurchase from certain non-controlling interest shareholders all the Class F Preferred Shares of Sanexen.

Executive Stock Option Plan

The Company had set aside 580,000 Class B shares pursuant to the Executive Stock Option Plan. Said options are granted at market price. The options granted vest over a period of five years at the rate of 20% per year, starting at the grant date. Options to purchase 550,000 Class B shares were granted pursuant to this plan. There remains an unallocated balance of 180,000 Class B shares reserved for issuance pursuant to the plan as 150,000 options were not exercised and expired or were forfeited in a prior year, which options returned to the reserve of shares issuable pursuant to the Executive Stock Option Plan. There were no outstanding options as at December 31, 2016 and 2015.

Employee Stock Purchase Plan ("ESPP")

Pursuant to the ESPP, 300,000 Class B shares were reserved for future issuance. On April 26, 2012, the number of Class B shares reserved for issuance under the ESPP was increased by 300,000, bringing the unallocated balance of Class B shares reserved for issuance to 335,400 at that date. As at January 1, 2016, there remained an unallocated balance of 280,600 Class B shares reserved pursuant to this ESPP. Eligible employees designated by the Board of Directors need to have at least two years of service. Participation is on a voluntary basis. The subscription price is determined by the average high and low board lot trading prices of the Class B shares on the TSX during five days, consecutive or not, preceding the last Thursday of the month of May of the year the shares are issued, less a maximum 10% discount. A non-interest bearing loan offered by the Company is available to acquire the said shares. The loans are reimbursed over a two-year period by way of payroll deductions. As at December 31, 2016, following the issuance of 33,000 (8,200 in 2015) Class B shares under this ESPP, there remains an unallocated balance of 247,600 Class B shares reserved for issuance pursuant to this ESPP. Those 33,000 (8,200 in 2015) Class B shares were issued for cash consideration of $607 ($113 in 2015) and for non-interest bearing loans of $563 ($214 in 2015), repayable over two years with a carrying value of $462 as at December 31, 2016 ($209 in 2015).

Normal Course Issuer Bid ("NCIB")

The Company repurchased some of its shares for cancellation purposes pursuant to NCIBs. Pursuant to the current NCIB, which was launched on October 26, 2016, and will terminate on October 25, 2017, Logistec intends to repurchase for cancellation purposes, up to 370,696 Class A shares and 238,195 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 14, 2016.

Shareholders may obtain a free copy of the notice of intention regarding the NCIB filed with the TSX by contacting the Company.

Under the various NCIBs, repurchases were made through the TSX. The tables below summarize the number of shares repurchased by NCIB and by year:

Shares repurchased by bid	Class A shares	Class B shares	Class A shares Average price $	Class B shares Average price $
NCIB 2014 (October 24, 2014 to October 23, 2015)				
Repurchase in 2014	1,200	22,600	48.44	39.89
Repurchase in 2015	15,800	101,200	49.59	41.98
Total NCIB 2014	17,000	123,800	49.51	41.57
NCIB 2015 (October 26, 2015 to October 25, 2016)				
Repurchase in 2015	4,600	15,900	44.70	39.51
Repurchase in 2016	22,400	233,500	41.15	37.58
Total NCIB 2015	27,000	249,400	41.75	37.70
NCIB 2016 (October 26, 2016 to October 25, 2017)				
Repurchase in 2016	1,200	19,500	38.51	36.04
Total NCIB 2016	1,200	19,500	38.51	36.04

Shares repurchased by year	Class A shares	Class B shares
2015		
NCIB 2014	15,800	101,200
NCIB 2015	4,600	15,900
Total 2015	20,400	117,100
2016		
NCIB 2015	22,400	233,500
NCIB 2016	1,200	19,500
Total 2016	23,600	253,000

The number of shares varies as follows:

	Number of Class A shares	Number of Class B shares	Class A shares $	Class B shares $
As at January 1, 2015	**7,460,322**	**5,069,600**	**4,931**	**9,975**
Repurchased under the NCIBs	(20,400)	(117,100)	(16)	(232)
ESPP	–	8,200	–	327
Conversion	(3,600)	3,600	**–**	**–**
As at December 31, 2015	**7,436,322**	**4,964,300**	**4,915**	**10,070**
Repurchased under the NCIBs	(23,600)	(253,000)	(16)	(518)
ESPP	–	33,000	–	1,167
As at December 31, 2016	**7,412,722**	**4,744,300**	**4,899**	**10,719**

Dividends

Details of dividends declared per share are as follows:

	2016 $	2015 $
Class A shares	**0.30**	0.28
Class B shares	**0.33**	0.30

Details of dividends paid per share are as follows:

	2016 $	2015 $
Class A shares	**0.30**	0.26
Class B shares	**0.33**	0.29

On March 17, 2017, the Board of Directors declared a dividend of $0.075 per Class A share and $0.0825 per Class B share, which will be paid on April 21, 2017, to all shareholders of record as of April 7, 2017. The estimated dividend to be paid is $556 on Class A shares and $391 on Class B shares.

33. Consolidated Statements of Cash Flows

a. Items not Affecting Cash and Cash Equivalents

	2016	2015
	$	$
Defined benefit and contribution retirement plans expense	**1,679**	1,645
Depreciation and amortization expense	**14,288**	12,328
Share of profit of equity accounted investments	**(4,310)**	(4,264)
Finance expense	**1,894**	936
Finance income	**(194)**	(313)
Current income taxes	**5,682**	8,720
Deferred income taxes	**1,586**	1,568
Other non-current assets	**6,860**	2,299
Deferred revenue	**(400)**	(400)
Non-current financial liabilities	**2,025**	4,440
Other	**677**	351
	29,787	27,310

b. Changes in Non-Cash Working Capital Items

	2016	2015
	$	$
Increase in trade and other receivables	**(2,058)**	(10,997)
Decrease (increase) in income taxes	**476**	(333)
Increase in prepaid expenses	**(276)**	–
Increase in inventories	**(715)**	(2,072)
Increase in other financial assets	**(1,014)**	–
Increase (decrease) in trade and other payables	**(11,669)**	1,412
Increase in deferred revenue	**228**	225
	(15,028)	(11,765)

c. Non-Cash Transactions

During 2016, the Company acquired property, plant and equipment, of which $1,717 ($1,982 in 2015) is unpaid at the end of the year.

34. Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed hereafter.

Trading Transactions

The following tables summarize the Company's related party transactions with its joint ventures for the years:

	2016	2015
	$	$
Sale of services	**1,819**	2,078
Purchase of services	**793**	1,346

	As at December 31, 2016	As at December 31, 2015
	$	$
Amounts owed to joint ventures	**1,487**	2,583
Amounts owed from joint ventures	**539**	792

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Loans to Related Parties

The following balances were outstanding at the end of the reported periods:

	As at December 31, 2016	As at December 31, 2015
	$	$
Key management personnel	**123**	56

The Company has provided loans to several members of key management personnel in connection with the ESPP (Note 32).

Transactions with Shareholders

The Company's largest shareholder is Sumanic Investments Inc. Transactions with the Company's shareholders were as follows:

	2016	2015
	$	$
Dividends paid to Sumanic Investments Inc.	**1,743**	1,525
Dividends paid to certain members of key management personnel	**103**	160

Compensation of Key Management Personnel

The compensation of directors and of other members of key management personnel [(1)] during the years ended was as follows:

	2016	2015
	$	$
Short-term benefits	**4,525**	5,942
Post-employment benefits	**521**	414
Other long-term benefits	**1,306**	3,810
	6,352	10,166

[(1)] *The compensation of members of key management personnel includes the compensation of the president of one of the Company's joint ventures*

35. Segmented Information

The Company and its subsidiaries are organized and operate in two reportable industry segments: marine services and environmental services. The accounting policies used within the segments are applied in the same manner as for the consolidated financial statements.

The Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segmented profit before income taxes to measure the operating performance of its segments.

The financial information by industry and geographic segments is as follows:

Industry Segments

Revenue, Results and Other Information

2016	Marine services $	Environmental services $	Total $
Revenue	**186,020**	**157,306**	**343,326**
Depreciation and amortization expense	**9,287**	**5,001**	**14,288**
Share of profit (loss) of equity accounted investments	**4,322**	**(12)**	**4,310**
Finance expense	**1,097**	**797**	**1,894**
Finance income	**78**	**116**	**194**
Profit before income taxes	**16,239**	**9,515**	**25,754**
Acquisition of property, plant and equipment, including business acquisitions	**32,522**	**9,406**	**41,928**

2015	Marine services $	Environmental services $	Total $
Revenue	206,537	151,471	358,008
Depreciation and amortization expense	9,007	3,321	12,328
Share of profit of equity accounted investments	4,110	154	4,264
Finance expense	465	471	936
Finance income	103	210	313
Profit before income taxes	25,616	17,545	43,161
Acquisition of property, plant and equipment	15,894	9,232	25,126

Assets and Liabilities

2016	Marine services $	Environmental services $	Total $
Total assets	**233,839**	**122,021**	**355,860**
Equity accounted investments	**30,438**	**703**	**31,141**
Total liabilities	**98,205**	**54,474**	**152,679**
2015			
Total assets	226,509	101,906	328,415
Equity accounted investments	28,259	692	28,951
Total liabilities	78,620	40,150	118,770

Geographic Segments

The Company's revenue from external customers by country of origin and information about its non-current assets by location of assets are detailed below:

	Canada	USA	Total
Revenue	$	$	$
2016	**255,756**	**87,570**	**343,326**
2015	249,187	108,821	358,008
Non-current assets [(1)]			
As at December 31, 2016	**152,498**	**61,900**	**214,398**
As at December 31, 2015	138,299	49,730	188,029

[(1)] *Non-current assets exclude post-employment benefit assets, financial instruments and deferred income tax assets*

36. Government Grants

A subsidiary of the Company incurs research and development expenses eligible for investment tax credits. Investment tax credits are recorded based on estimates prepared by management in respect of amounts that should be recovered and are subject to a tax audit. These tax credits amount to $158 ($171 in 2015), and are recorded as a reduction in employee benefits expense.

37. Commitments

The Company is committed until 2031, under operating lease agreements, to rent offices, port facilities, and equipment. The minimum amounts payable over the next years are as follows:

	2016	2015
	$	$
No later than 1 year	**14,071**	13,915
Later than 1 year and no later than 5 years	**27,313**	30,632
Later than 5 years	**9,660**	14,226
	51,044	58,773

As at December 31, 2016, the Company has $6,220 ($20,701 in 2015) of property, plant and equipment under order, not yet delivered. Delivery and payment are expected to occur in 2017.

38. Contingent Liabilities and Guarantees

As at December 31, 2016, the Company has outstanding letters of guarantee for an amount of $2,651 ($2,587 in 2015) relating to financial guarantees issued in the normal course of business. These letters of guarantee mature within the next 12 months.

In addition to the information disclosed in Notes 27 and 29, a subsidiary of the Company has granted a $30,000 ($30,000 in 2015) second-ranking movable hypothec on all its present and future trade receivables and on the totality of its assets as a guarantee for its performance bond facilities.

The Company, together with one of its partners, severally guarantees the obligations of an operating lease in one of its joint ventures. The guarantee is limited to a cumulative amount of $4,647.

As at December 31, 2016, the Company has contingent liabilities totalling $534 ($987 in 2015) for contingent obligations to remove assets and to restore sites under operating leases.

The Company indemnifies its directors and officers for prejudices suffered by reason or in respect of the execution of their duties for the Company to the extent permitted by law. The Company has underwritten and maintains directors' and officers' liability insurance coverage.

No amounts have been recorded in the consolidated financial statements related to the above contingent liabilities and guarantees.

39. Fire Incident

On July 11, 2015, a fire destroyed two leased warehouses, conveyor systems and certain other assets at the Company's bulk facility in Brunswick (GA). Pursuant to the lease agreement with the Georgia Ports Authority, the Company was required to rebuild and replace the assets destroyed.

The consolidated financial statements as at and for the years ended December 31, 2016 and 2015 reflect the impact of the fire as follows:

	As at December 31, 2016 $	As at December 31, 2015 $
Consolidated statements of financial position		
Claim receivable from insurance	**2,246**	5,447
Property, plant and equipment (reduction)	**10,663**	(6,449)
Consolidated statements of earnings		
Included in "Other gains and losses"		
Impairment loss related to assets destroyed	**–**	6,449
Site remediation costs	**–**	5,641
Gain on insurance recovery of assets and other	**(491)**	(12,090)
Impact on profit before income taxes	**(491)**	–

The proceeds received and expected to be received from the insurance coverage were sufficient to cover the replacement cost of the assets destroyed, as well as other costs incurred as a direct result of the fire. This reflects management's best estimates based on the information available as at the date of these consolidated financial statements. The Company has substantially completed the reconstruction and replacement of the destroyed assets. The total amount incurred for the reconstruction is approximately $23,400.

40. Subsequent Event

On February 16, 2017, the Company invested $4,429 in Logistec Gulf Coast LLC ("LGC"), a newly formed company. The funds were used to acquire essentially all of the operating assets of Gulf Coast Bulk Equipment, Inc. ("GCBE"). The Company holds a 70% interest in LGC and GCBE holds the remaining 30% interest. The cash consideration is subject to adjustment based on the final determination of GCBE's financial results between October 1, 2016 and February 16, 2017.

This transaction consolidates and expands the Company's bulk cargo handling services in the U.S. Southeast and Gulf of Mexico region.

At the acquisition date, the preliminary fair value of the underlying identifiable assets acquired and liability assumed was as follows:

	Total US$
Property, plant and equipment	6,100
Goodwill	900
Long-term debt	(662)
	6,338
Settlement	
Cash	4,429
30% non-controlling interest in LGC	1,909
	6,338

The purchase price allocation is preliminary and is subject to change once final valuations of the assets acquired and liability assumed are completed.

The Company has the obligation to repurchase the 30% non-controlling interest in LGC on December 31, 2021 at the latest, or sooner, upon the occurrence of certain events. The purchase price will be the greater of: i) the book value of the 30% non-controlling interest or ii) a multiple of the applicable three-year average EBITDA, minus LGC's debt.

Directors

James C. Cherry, FCPA, FCA [1] [3] [4]
Corporate Director

Serge Dubreuil, Eng. [3] [4]
Corporate Director

George Gugelmann [2] [3] [4]
Private Investor

George R. Jones [1] [2] [3]
Corporate Director

Rudy Mack [2] [4]
Principal Consultant
Rudy Mack Associates, Inc.
Corporate Director

David M. Mann, Q.C. [1] [2]
Corporate Director

Madeleine Paquin [3] [4]
President and Chief Executive Officer
Logistec Corporation

Nicole Paquin
Vice-President, Information Systems
Logistec Stevedoring Inc.

Suzanne Paquin [3]
President
Transport Nanuk Inc.

J. Mark Rodger [2] [4]
Partner
Borden Ladner Gervais LLP

Luc Sabbatini [1]
Chief Executive Officer
PBSC Urban Solutions Inc.

[1] Member of the Audit Committee
[2] Member of the Governance and Human Resources Committee
[3] Member of the Executive Committee
[4] Member of the Pension Committee

Officers

George R. Jones
Chairman of the Board

Madeleine Paquin
President and Chief Executive Officer

Jean-Claude Dugas, CPA, CA
Vice-President, Finance
Assistant-Secretary

Stéphane Blanchette, CHRP
Vice-President, Human Resources

Suzanne Paquin
Vice-President

Alain Sauriol, M. SC.
Vice-President, Environmental Services

Ingrid Stefancic, LL.B., FCIS
Vice-President, Corporate and Legal Services
Corporate Secretary

Luc Pilon, CPA, CA
Corporate Controller

Subsidiaries

Autoterm Inc.
BalTerm, LLC
CrossGlobe Transport, Ltd.
Les Terminaux Rideau Bulk Terminals Inc.
Logistec Gulf Coast LLC
Logistec Marine Agencies Inc.
Logistec Stevedoring Inc.
Logistec Stevedoring (Atlantic) Inc.
Logistec Stevedoring (New Brunswick) Inc.
Logistec Stevedoring (Nova Scotia) Inc.
Logistec Stevedoring (Ontario) Inc.
Logistec Stevedoring U.S.A. Inc.
Logistec USA Inc.
MtlLINK Multimodal Solutions Inc.
Mistral Environnement SAS
Niedner Inc.
Ramsey Greig & Co. Ltd.
Sanexen Environmental Services Inc.
Sanexen Environnement SAS
Sanexen Water, Inc.
SETL Real Estate Management Inc.
Sorel Maritime Agencies Inc.
Tartan Terminals, Inc.
189688 Canada Inc.

Associates

Sept-Îles Mooring Inc.
St-Lawrence Mooring Inc.

Joint Ventures / Partnerships

Avataani Environmental Services Inc.
Flexiport Mobile Docking Structures Inc.
Moorings (Trois-Rivières) Ltd.
NEAS Inc.
Northern Bear Shipping B.V.
Northern Fox Shipping B.V.
Nunavik Eastern Arctic Shipping Inc.
Nunavut Eastern Arctic Shipping Inc.
Qikiqtaaluk Environmental Inc.
Quebec Maritime Services Inc.
Quebec Mooring Inc.
Termont Montréal Inc.
Termont Terminal Inc.
Transport Inukshuk Inc.
Transport Mitiq Inc.
Transport Nanuk Inc.
Transport Qamutik Inc.
Transport Umialarik Inc.
9260-0873 Québec Inc.

Banks

Bank of America
Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Harris Trust and Savings Bank
HSBC Bank Canada
The Toronto-Dominion Bank

Independent Auditor

Deloitte LLP

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd.
7th Floor
Montréal (QC) H3A 3S8

Shares Listed

Toronto Stock Exchange

Head Office

Logistec Corporation
360 St. Jacques Street
Suite 1500
Montréal (QC) H2Y 1P5

Tel.: (514) 844-9381
Fax: (514) 844-9650
E-mail addresses:
info@logistec.com
ir@logistec.com
Internet: www.logistec.com

Annual Meeting of Shareholders

Tuesday, May 9, 2017 at 11:30 a.m.
BMO Bank of Montréal, Hochelaga Room, 129 Saint-Jacques Street, 14th Floor, Montréal (QC)

Ticker Symbols

LGT.A and LGT.B

Trademarks

Logistec and logo are registered trademarks in Canada and in the USA
Aqua-Pipe is a registered trademark in Canada and in the USA
CrossGlobe and logo are registered trademarks in the USA
MtlLINK is a registered trademark in Canada

Logistec Corporation
360 St. Jacques Street
Suite 1500
Montréal (QC) H2Y 1P5

www.logistec.com