ShawCor Ltd.

Interim Consolidated Financial Statements
(Unaudited)
March 31, 2011
(in thousands of Canadian dollars)

ShawCor Ltd.

Interim Consolidated Balance Sheet
(Unaudited)

(in thousands of Canadian dollars)

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets			
Cash and cash equivalents	$ **141,960**	$ 155,998	$ 249,988
Accounts receivable	**288,749**	243,955	191,821
Income taxes receivable	**12,648**	13,823	14,055
Inventories	**121,756**	126,132	109,379
Prepaid expenses	**13,764**	14,171	14,392
Derivative financial instruments	**1,615**	1,130	1,782
	580,492	555,209	581,417
Non-current assets			
Property, plant and equipment (note 17)	**298,912**	295,513	284,291
Intangible assets (note 18)	**89,090**	91,353	62,784
Long-term investment (note 7)	**38,981**	31,995	–
Derivative financial instruments	–	–	39
Deferred income taxes (note 23)	**41,005**	33,555	41,415
Other assets (note 8)	**15,373**	15,622	16,152
Goodwill (note 20)	**219,160**	220,092	214,449
	702,521	688,130	619,130
	$ **1,283,013**	$ 1,243,339	$ 1,200,547
Liabilities			
Current liabilities			
Loan payable	**5,670**	5,126	–
Accounts payable and accrued liabilities	**145,302**	123,991	116,705
Provisions (note 16)	**7,389**	6,812	12,775
Income taxes payable	**43,666**	50,860	42,971
Derivative financial instruments	**689**	527	510
Deferred revenue	**46,398**	54,751	75,100
Current portion of long-term debt	**24,473**	25,005	26,235
Finance lease obligation (note 22)	**307**	345	371
	273,894	267,417	274,667
Non-current liabilities			
Long-term debt	–	–	26,052
Long-term finance lease obligation (note 22)	**267**	339	492
Derivative financial instruments (note 7)	**1,217**	807	–
Deferred income taxes (note 23)	**92,729**	77,278	75,576
Long-term provisions (note 16)	**55,478**	54,662	32,745
	149,691	133,086	134,865
	423,585	400,503	409,532
Shareholders' Equity			
Share capital (note 11)	**209,187**	206,775	204,151
Contributed surplus	**18,073**	18,144	17,277
Retained earnings	**669,966**	654,694	569,587
Accumulated other comprehensive income (loss)	**(37,798)**	(36,777)	–
	859,428	842,836	791,015
	$ **1,283,013**	$ 1,243,339	$ 1,200,547

Commitments and contingencies (note 10)

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

[The interim consolidated financial statements and accompanying notes for the period ended March 31, 2011 were authorized for issue by the Board of Directors on May 31, 2011.]

ShawCor Ltd.

Interim Consolidated Statement of Income

For the three months ended March 31:

(Unaudited)

(in thousands of Canadian dollars)

	2011	2010
Revenue		
Sale of products	$ **69,328**	$ 63,804
Rendering of services	**210,138**	160,768
	279,466	224,572
Cost of goods sold	**174,412**	138,414
Gross profit	**105,054**	86,158
Selling, general and administrative expenses	**62,130**	54,811
Research and development expenses	**2,917**	2,624
Foreign exchange gains	**(1,348)**	(1,656)
Amortization of property, plant and equipment	**9,998**	10,799
Amortization of intangible assets	**1,742**	1,095
Income from operations	**29,615**	18,485
Investment loss on long-term investment (note 7)	**(1,436)**	–
Interest income on short-term deposits	**196**	227
Interest expense, other	**(384)**	(444)
Interest expense on long-term debt	**(344)**	(725)
Income before income taxes	**27,647**	17,543
Income taxes (note 23)	**7,162**	5,804
Net income for the period	$ **20,485**	$ 11,739
Earnings per share (note 15)		
Basic	**0.29**	0.17
Diluted	**0.29**	0.16

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

ShawCor Ltd.

Interim Consolidated Statement of Comprehensive Income (Loss)
For the three months ended March 31:
(Unaudited**)**

(in thousands of Canadian dollars)

		2011		2010
Net income for the period	$	**20,485**	$	11,739
Other comprehensive income (loss) - net of income taxes				
Unrealized loss on translation of foreign operations		**(1,463)**		(19,820)
Gain on hedges of unrealized foreign currency translation		**533**		1,350
Income tax expense		**(91)**		(231)
Other comprehensive loss for the period		**(1,021)**		(18,701)
Comprehensive income (loss) for the period	$	**19,464**	$	(6,962)

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

ShawCor Ltd.

Interim Consolidated Statement of Changes in Shareholders' Equity

For the three months ended March 31:

(Unaudited**)**

(in thousands of Canadian dollars)

		Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance - January 1, 2010	$	**204,151**	**17,277**	**569,587**	**–**	**791,015**
Net income for the period		–	–	11,739	–	11,739
Issued on exercise of stock options		539	–	–	–	539
Compensation cost on exercised options		155	(155)	–	–	–
Stock-based compensation expense		–	620	–	–	620
Other comprehensive loss		–	–	–	(18,701)	(18,701)
Dividends paid		–	–	(4,855)	–	(4,855)
Other		8	–	–	–	8
Balance - March 31, 2010	$	**204,853**	**17,742**	**576,471**	**(18,701)**	**780,365**
Balance - December 31, 2010	**$**	**206,775**	**18,144**	**654,694**	**(36,777)**	**842,836**
Net income for the period		–	–	20,485	–	20,485
Issued on exercise of stock options		1,821	–	–	–	1,821
Compensation cost on exercised options		591	(591)	–	–	–
Stock-based compensation expense		–	520	–	–	520
Other comprehensive loss		–	–	–	(1,021)	(1,021)
Dividends paid		–	–	(5,213)	–	(5,213)
Balance - March 31, 2011	$	**209,187**	**18,073**	**669,966**	**(37,798)**	**859,428**

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

ShawCor Ltd.

Interim Consolidated Statement}} of Cash Flows

For the three months ended March 31:

(Unaudited**)**

(in thousands of Canadian dollars)

	2011	2010
Operating activities		
Net income for the period	$ 20,485	$ 11,739
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	9,998	10,799
Amortization of intangible assets	1,742	1,095
Amortization of transaction costs	–	111
Amortization of long-term prepaid expenses	149	87
Asset retirement obligations expense	116	143
Stock-based compensation (note 12)	569	982
Deferred income taxes	4,199	(884)
Loss (gain) on disposal of property, plant and equipment	1,354	(158)
Loss on derivative financial instruments	87	–
Accretion expense on long-term provisions	183	–
Investment loss on long-term significant influence investment	1,436	–
Settlement of asset retirement obligations	–	(297)
Change in long-term provisions	730	–
Change in employee future benefits	–	659
Change in non-cash working capital and foreign exchange	(28,107)	2,292
Cash provided by operating activities	12,941	26,568
Investing activities		
Purchases of property, plant and equipment	(12,046)	(11,308)
Acquisition of long-term investment	(9,085)	–
Decrease (increase) in long-term notes receivable	12	(134)
Cash used in investing activities	(21,119)	(11,442)
Financing activities		
Proceeds from loan	544	–
Repayments on finance lease obligation	(111)	(119)
Issuance of shares	1,332	539
Dividends paid to shareholders	(5,213)	(4,855)
Cash used in financing activities	(3,448)	(4,435)
Foreign exchange loss on foreign cash and cash equivalents	(2,412)	(4,666)
Net change in cash and cash equivalents for the period	(14,038)	6,025
Cash and cash equivalents - beginning of period	155,998	249,988
Cash and cash equivalents - end of period	$ 141,960	$ 256,013

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

1. Corporate information

ShawCor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange ("TSX"). The Company, together with its wholly owned subsidiaries (collectively referred to as "ShawCor" or the "Company"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates seven divisions with over 70 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 5.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7.

2. Basis of preparation and adoption of International Financial Reporting Standards

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements. In the consolidated financial statements, the term "CGAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's audited annual consolidated financial statements for the year ended December 31, 2010.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2011. Any subsequent changes to IFRS pertaining to the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

The consolidated financial statements should be read in conjunction with the Company's Canadian CGAAP audited annual consolidated financial statements for the year ended December 31, 2010. Notes 16 to 23 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual consolidated financial statements.

Basis of presentation and consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company's proportionate share in joint ventures.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The results of the subsidiaries acquired during the period are included in the consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries and joint ventures to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. Summary of significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. The costs of the acquisition and any restructuring costs are charged to the consolidated statement of income in the period in which they are incurred.

For an acquisition achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the aggregate consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

Interest in joint ventures

The Company has interests in several jointly controlled entities ("joint ventures"), whereby joint control has been established by contractual agreements that establish joint control over the economic activities of the entity. The Company accounts for joint ventures using proportionate consolidation. As a result, the consolidated financial statements include the Company's proportionate share of the joint venture's assets and liabilities, income and expenses, and cash flows with items of a similar nature on a line by line basis, from the effective date that joint control commences, up to the date that joint control ceases. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

The Company recognizes the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers. The Company does not recognize its share of gains or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

A listing of all jointly controlled entities is presented in note 14.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the ″functional currency″). The consolidated financial statements are presented in Canadian dollars, which is the parent company's presentation and functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income, except when deferred in other comprehensive income (loss) as qualifying net investment hedges.

Translation of foreign operations

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

- income and expenses for each income statement are translated at the exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services and are performed under specific contracts. Revenue on these contracts is recognized using the percentage of completion method based on a proportional performance basis using output as a measure of performance. Losses, if any, on these contracts are provided for in full at the time such losses are identified.

Services performed in advance of billings are recorded as unbilled revenue pursuant to the contractual terms. In general, amounts become billable upon the achievement of certain milestones or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenues until earned and realization is assured.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and other short-term highly liquid investments with original maturity dates on acquisition of 90 days or less. The amounts presented in the consolidated financial statements approximate the fair value of cash and cash equivalents.

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out ("FIFO") basis, except in certain project based pipe coating businesses where the average cost basis is employed, and includes direct materials, direct labour and variable and fixed manufacturing overheads. Net realizable value for finished goods, work-in-process and raw materials inventories required for production is the estimated amount that would be realized on eventual sale of completed products, less the estimated costs necessary to complete the sale, while for excess raw materials it is the current market price. Ownership of inbound inventories is recognized at the time title passes to the Company.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated amortization and impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, such as borrowing costs for long-term construction projects and major inspections, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repair and maintenance costs are recognized in the consolidated statement of income during the financial period in which they are incurred. The expected cost for the asset retirement obligation of an asset is included in the cost of the respective asset if the recognition criteria are met.

Property, plant and equipment, other than land and project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at the following annual rates: 100% for land improvements; 4% to 10% on buildings; and 5% to 50% on machinery and equipment. Project-related facilities are amortized over the initial estimated project life, generally no longer than seven years.

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of amortization are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Deferred costs

Costs related to the mobilization of project-specific plants for fixed term projects are included in work-in-process inventories and are charged to costs of goods sold on a percentage of completion basis. Such costs are to be included in inventories only if incurred after the Company is awarded the project and if directly related to the performance of the contract.

Intangible assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statement of income during the period in which they are incurred.

Intellectual property and intangible assets with limited lives

Intellectual property and intangible assets with limited lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is recorded on a straight-line basis over their estimated useful lives of up to 15 years. The amortization period and the amortization method is reviewed at least at each year-end and adjusted prospectively if appropriate.

Intangible assets with indefinite lives

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, or when there is an indication that the asset may be impaired either individually or at the cash-generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable; if not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statement of income when the asset is derecognized.

Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment or when there is an indication that the asset may be impaired.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow CGUs. Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising at the date of acquisition.

Goodwill is deemed to have an indefinite life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Investments

The Company accounts for investments in which it has significant influence using the equity method and these investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, after the date of acquisition.

Employee future benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The fair value of plan assets is recorded and included in "Other assets" in the consolidated balance sheet.

The defined benefit obligation is determined by independent actuaries using the projected benefit method pro-rated on service. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity matching the terms of the related pension obligation. Plan assets are valued at quoted market prices at the consolidated balance sheet date.

Past service costs arising from plan amendments are amortized on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, past service costs are recognized immediately in the consolidated statement of income following the introduction of, or changes to, a pension plan.

Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the average remaining service lives of the employees who are members of the plan. For the Company's principal plans, these periods range from 5 years to 22 years.

For the Company’s defined contribution plans, costs are determined based on the services provided by the Company’s employees and are recognized in the consolidated statement of income as those services are provided.

Leases

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases in which substantially all of the benefits and risks of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Impairments are based on observed customer solvency, the ageing of trade and other receivables, historical values and customer specific and industry risks. External credit ratings as well as bank and trade references are reviewed when available.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of income.

Financial instruments

Financial assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

Available-for-sale financial assets are those non-derivative financial assets that are so designated by the Company or do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheet at fair value with gains or losses from changes in fair value in a period included in other comprehensive income (loss).

Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost with related expenses charged to selling, general and administrative expenses in the consolidated statement of income.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss, or other liabilities. Financial liabilities classified as fair value through profit or loss includes derivative financial instruments. Any changes in fair value are recognized through the consolidated statement of income.

Other liabilities are initially recorded at fair value less any directly attributable transaction costs. After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The following is a summary of the classes of financial instruments included in the Company's consolidated balance sheet as well as their designation by the Company under the new accounting standards:

Balance sheet item	**Designation**
Cash and cash equivalents	Fair value through profit and loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Loan payable	Other liabilities
Derivative financial instruments	Fair value through profit and loss

Derivative financial instruments

The Company's policy is to document all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated balance sheet or to the specific firm commitments or forecasted transactions. The Company also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments designated as effective cash flow hedges are reflected in the consolidated balance sheet at fair value with any gains or losses resulting from fair value changes included in other comprehensive income (loss) to the extent of hedge effectiveness. Derivative financial instruments not designated as effective cash flow hedges are carried at fair value in the consolidated balance sheet with gains or losses resulting from changes in fair value in a period charged or credited to selling, general and administrative expenses.

Financial instruments measured at fair value are categorized into one of the following three hierarchy levels for disclosure purposes:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The three levels distinguish between the levels of observable inputs when measuring fair value.

Derecognition

Financial assets are derecognized where the contractual rights to the receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in the consolidated statement of income in the period in which it is incurred.

Impairment

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

Comprehensive income (loss)

The Company's comprehensive income (loss) comprises net income and other comprehensive income (loss), which is made up of unrealized foreign currency gains or losses on the translation of the financial statements of foreign operations, unrealized gains or losses on available-for-sale financial assets, changes in unrealized gains or losses on financial instruments designated as effective net investment hedges and derivatives designated as effective cash flow hedges.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is included in the consolidated balance sheet as a separate component of shareholders' equity and includes accumulated unrealized foreign currency gains or losses on the translation of the financial statements of foreign operations, accumulated unrealized gains or losses on available-for-sale financial assets, accumulated unrealized gains or losses on financial instruments designated as effective net investment hedges.

Share-based compensation

The Company has various stock-based compensation plans. The Company recognizes compensation expense in respect of all of its stock-based compensation plans. The compensation expense is equal to the estimated fair value, based on an appropriate pricing model, of the incentive options, rights or units granted at the grant date, and is amortized over the vesting period of the option, right or incentive unit.

In accordance with IFRS, for each award of stock-based compensation that vests in instalments, the fair value is determined on each instalment as a separate award. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options, rights or incentive units that are expected to vest based on the non-market vesting conditions.

For options, units or rights that are settled with equity, an amount equal to compensation expense is initially credited to contributed surplus and transferred to share capital if and when the option, unit or right is exercised. Options, units or rights that are settled with cash are classified as liability instruments in accordance with IFRS, as their terms require that they be settled in cash. Until the date of settlement, the liability associated with cash-settled options, units or rights is remeasured at the fair value at each reporting period, with any changes in the fair value recognized in the consolidated statement of income. Consideration received on the exercise of a stock option, right or unit is credited to share capital, when additional equity instruments are issued.

For cash-settled awards, the fair value is recalculated at each balance sheet date until the awards are settled based on the estimated number of awards that are expected to vest, adjusting for market and non-market based performance conditions. During the vesting period, a liability is recognized representing the portion of the vesting period that has expired at the balance sheet date multiplied by the fair value of the awards at that date. After vesting, the full fair value of the unsettled awards at each balance date is recognized as a liability. Movements in the liability are recognized in the consolidated statement of income. The fair value is recalculated using an option pricing model.

Awards where the employee has the right to choose whether a share-based transaction is settled in cash or by issuing equity, is accounted for as a compound financial instrument. The Company measures the fair value of the compound financial instrument as at the date of issue, taking into account the terms and conditions of the grant. Stock-based compensation awards that constitute compound financial instruments of the Company are classified as liability instruments on the consolidated balance sheet.

Research and development costs

In accordance with IAS 38, *Intangible Assets*, research and development expenditure is charged to the consolidated statement of income, except for development costs, which are capitalized as an intangible asset when the following criteria are met:

- the project is clearly defined and the costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the project will generate future economic benefit;
- resources are available to complete the project;
- the project is intended to be completed; and

The intangible asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset commences when development has been completed and the asset is available for use. It is amortized over the period of expected future benefit, generally between three to ten years. During the period of development, the asset is tested for impairment annually. All other development costs are charged to the consolidated statement of income.

Income taxes

Income tax expense for the period comprises current and deferred taxes. Tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income (loss).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company accounts for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Investment tax credits relating to the acquisition of assets are accounted for using the cost reduction approach, reducing the cost of the asset acquired or amortized into income over the useful life of the asset.

Transaction costs

Transaction costs associated with financial assets carried at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Earnings per share ("EPS")

Basic EPS is calculated using the weighted average number of shares outstanding during the period.

Diluted EPS is calculated using the treasury stock method for determining the dilutive effect of outstanding financial instruments issued under the Company’s various stock-based compensation plans. Under this method, the conversion of dilutive financial instruments is assumed at the beginning of the period and shares are assumed issued (or at the time of issuance, if later).

The proceeds from the conversion or exercise of dilutive financial instruments plus future period compensation expenses are assumed to be used to purchase common shares at the average market price during the period, and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted EPS computation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical estimates used in preparing the consolidated financial statements include:

Long-lived assets and goodwill

The Company evaluates the carrying values of the CGUs' goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether writedowns of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment, and at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions.

Future benefit obligations

The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the accrued benefit obligations recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, long-term rates of return on pension plan assets, rates of employee compensation increases, rates of inflation, medical costs and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Provisions and contingent liabilities

Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reliably be estimated. When a loss is determined it is charged to the consolidated statement of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning liabilities

Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk-free rate. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Financial instruments

The Company has determined the estimated fair values of its financial instruments not traded in an active market based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates, mainly based on market conditions existing at the end of each reporting period. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Income taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

Accounting standards issued but not yet applied

IFRS 9 Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments - Recognition and Measurement,* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss).

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 Consolidated Financial Statements

For annual periods beginning on January 1, 2013, IFRS 10, *Consolidated Financial Statements* will replace portions of IAS 27 *Consolidated and Separate Financial Statements* and interpretation SIC-12 *Consolidation — Special Purpose Entities.* The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgement about whether the Company controls another entity; there are no ‘bright lines’. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all which may differ from current practice.

IFRS 10 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early

IFRS 11 Joint Arrangements

On January 1, 2013, ShawCor will be required to adopt IFRS 11, *Joint Arrangements,* which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting.

Due to the adoption of this new section, Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 11 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 Disclosure of Interests in Other Entities

On January 1, 2013, ShawCor will be required to adopt IFRS 12, *Disclosure of Involvement with Other Entities,* which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgements and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 Fair Value Measurement

On January 1, 2013, ShawCor will be required to adopt IFRS 13, *Fair Value Measurement.* The new standard will generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the ‘exit price’ and concepts of ‘highest and best use’ and ‘valuation premise’ would be relevant only for non-financial assets and liabilities.

IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IAS 27 Separate Financial Statements

On January 1, 2013 ShawCor will be required to adopt IAS 27, *Separate Financial Statements.* As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10.

In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The company has not yet assessed the impact of the new accounting standard on its separate financial statements.

IAS 28 Investments in Associates and Joint Ventures

On January 1, 2013, ShawCor will be required to adopt IAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control, or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When determined that the Company has an interest in a joint venture, the Company will recognise an investment and will account for it using the equity method in accordance with IAS 28.

IFRS 28 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early

4. First-time adoption of IFRS

ShawCor has adopted IFRS on January 1, 2011 with a date of transition to IFRS of January 1, 2010. In accordance with IFRS 1, IFRS is applied retrospectively at the transition date, with any adjustments to the assets and liabilities as a result of the adoption taken to retained earnings unless certain exemptions are applied.

The effect of the Company’s transition to IFRS, described in note 2, is summarized in this note as follows:

(a) Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity’s initial adoption of IFRS. Generally speaking IFRS requires that an entity apply all IFRS effective at the end of its first IFRS reporting period on a retrospective basis with any adjustments to the assets and liabilities as a result of the adoption taken to retained earnings. IFRS 1 does however provide for certain mandatory exemptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the exemptions available under IFRS 1 that are significant to ShawCor and have been applied in preparing the Company’s first financial statements under IFRS:

i) Property, Plant and Equipment

IFRS permits an entity to measure an item of property, plant and equipment at either cost or fair value. ShawCor has elected to retain the historical cost model for all assets. The Company has recalculated the associated historical accumulated depreciation of all fixed assets using a more detailed componentization analysis where applicable, and has reviewed their expected useful life which in a number of cases was extended. This has caused the net book value of property, plant and equipment to increase.

ii) Employee Benefits

Under IAS 19, *Employee Benefits*, an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognized. Retrospective application of this approach requires the entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRS into a recognized portion and an unrecognized portion. ShawCor has elected to recognize all cumulative actuarial gains and losses at the date of transition to IFRS through an adjustment to the opening retained earnings. This has resulted in an increase in the liability for employee benefits. The Company has elected to adopt the IFRS 1 option to disclose the amounts required by IAS 19 on a prospective basis.

iii) Cumulative Translation Account

IAS 21, *the Effects of Changes in Foreign Exchange Rates*, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. ShawCor has elected to deem all cumulative translation differences be zero on transition to IFRS as on January 1, 2010.

iv) Business Combinations

IFRS 1 allows a first time adopter to elect not to apply IFRS 3R, *Business Combinations*, retrospectively to past business combinations that occurred before the date of transition to IFRS. The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3R retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

As ShawCor early adopted CICA Handbook Section 1582, *Business Combinations*, on January 1, 2010, which was harmonized with IFRS 3R, there are no IFRS adjustments required for 2010 for the accounting for business combinations completed in 2010.

v) Stock-based Compensation

ShawCor is required to apply IFRS 2, *Share-based Payments*, to equity instruments that vest after January 1, 2010. ShawCor has consistently used the method of recognizing stock-based compensation expense on a graded vesting schedule. Adopting IFRS has resulted in a $145 additional expense due to the revaluation of compound financial instruments (Share Appreciation Rights ″SAR″) using the Black-Scholes model, compared to using the intrinsic value of liability under CGAAP.

vi) Borrowing Costs

ShawCor has elected not to capitalize any borrowing costs on a retrospective basis for qualifying assets acquired prior to January 1, 2010, the date of transition to IFRS.

vii) Decommissioning liabilities

ShawCor has elected, in accordance with IFRS 1 to remeasure these liabilities as of the date of transition to IFRS per IAS 37 and has adjusted the asset cost and depreciable amount accordingly and will amortize the depreciable amount of the assets over the remaining useful lives.

(b) IFRS 1 Guidelines

Under certain circumstances, a first time adopter must adhere to specific guidelines under IFRS 1. ShawCor Ltd. has applied the following guidelines to its opening IFRS statement of financial position as on January 1, 2010.

i) Goodwill

ShawCor is required to apply IAS 36 Impairment of Assets, on transition to IFRS on January 1, 2010. Under CGAAP goodwill is tested for impairment by comparing the carrying value to the fair value at the reporting unit level. Impairment for goodwill under IFRS is tested at the CGU level. There was no impairment recognized on transition from CGAAP to IFRS, based on the testing carried out under IFRS at the CGU level (note 20).

ii) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition from CGAAP to IFRS must be consistent with estimates made in accordance with CGAAP unless there is objective evidence that those estimates were in error. The ShawCor estimates under IFRS are consistent with the CGAAP estimates.

(c) Reconciliations between CGAAP and IFRS

The impact of applying the above noted IFRS exemptions and the accounting policies differences between CGAAP and IFRS are summarized in the following tables and notes:

Reconciliation of the balance sheet under CGAAP to IFRS at January 1, 2010

	Note	CGAAP December 31, 2009	IFRS FS Reclassification	Effect of Transition to IFRS	Restated Under IFRS January 1, 2010
Assets					
Current assets					
Cash and cash equivalents		$ 249,988	$ –	$ –	$ **249,988**
Accounts receivable		191,821	–	–	**191,821**
Income taxes receivable		14,055	–	–	**14,055**
Inventories		109,379	–	–	**109,379**
Prepaid expenses		14,392	–	–	**14,392**
Derivative financial instruments		1,782	–	–	**1,782**
Current future income taxes	i	4,668	(4,668)	–	**–**
		586,085	(4,668)	–	**581,417**
Non-current assets					
Property, plant and equipment	b	270,219	–	14,072	**284,291**
Intangible assets		62,784	–	–	**62,784**
Derivative financial instruments		39	–	–	**39**
Deferred income taxes	e,i	36,249	4,668	498	**41,415**
Other assets		16,152	–	–	**16,152**
Goodwill		214,449	–	–	**214,449**
		599,892	4,668	14,570	**619,130**
Total Assets		$ 1,185,977	$ –	$ 14,570	$ **1,200,547**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	j,i	$ 127,932	$ (11,227)	$ –	$ **116,705**
Provisions	d,i	–	11,804	971	**12,775**
Income taxes payable		42,971	–	–	**42,971**
Derivative financial instruments		510	–	–	**510**
Deferred revenue		75,100	–	–	**75,100**
Current portion of long-term debt		26,235	–	–	**26,235**
Finance lease obligation		371	–	–	**371**
		273,119	577	971	**274,667**
Non-current liabilities					
Long-term debt		26,052	–	–	**26,052**
Long-term finance lease obligation		492	–	–	**492**
Deferred income taxes	e	76,552	–	(976)	**75,576**
Long-term provisions	c,i,d	–	18,763	13,982	**32,745**
Other non-current liabilities	i	19,340	(19,340)	–	**–**
		122,436	(577)	13,006	**134,865**
Total Liabilities		395,555	–	13,977	**409,532**
Shareholders' Equity					
Share capital		204,151	–	–	**204,151**
Contributed surplus		17,277	–	–	**17,277**
Retained earnings	a	695,800	–	(126,213)	**569,587**
Accumulated other comprehensive loss	a	(126,806)	–	126,806	**–**
		790,422	–	593	**791,015**
Total Liabilities and Shareholders' Equity		$ 1,185,977	$ –	$ 14,570	$ **1,200,547**

Reconciliation of the balance sheet under CGAAP to IFRS at December 31, 2010

	Note	CGAAP December 31, 2010	IFRS FS Reclassification	Effect of Transition to IFRS	Restated Under IFRS December 31, 2010
Assets					
Current assets					
Cash and cash equivalents		$ 155,998	$ –	$ –	$ **155,998**
Accounts receivable		243,955	–	–	**243,955**
Income taxes receivable		13,823	–	–	**13,823**
Inventories		126,132	–	–	**126,132**
Prepaid expenses		14,171	–	–	**14,171**
Derivative financial instruments		1,130	–	–	**1,130**
Current future income taxes	i	4,590	(4,590)	–	–
		559,799	(4,590)	–	**555,209**
Non-current assets					
Property, plant and equipment	b,d,f	283,286	–	12,227	**295,513**
Intangible assets		91,353	–	–	**91,353**
Long-term investment		31,995	–	–	**31,995**
Deferred income taxes	e,i	29,035	4,590	(70)	**33,555**
Other assets		15,622	–	–	**15,622**
Goodwill		220,092	–	–	**220,092**
		671,383	4,590	12,157	**688,130**
Total Assets		$ 1,231,182	$ –	$ 12,157	$ **1,243,339**
Liabilities					
Current liabilities					
Loan payable		$ 5,126	$ –	$ –	$ **5,126**
Accounts payable and accrued liabilities	j,i	131,777	(7,931)	145	**123,991**
Provisions	d,i	–	4,660	2,152	**6,812**
Income taxes payable		50,860	–	–	**50,860**
Derivative financial instruments		527	–	–	**527**
Deferred revenue		54,751	–	–	**54,751**
Current portion of long-term debt		25,005	–	–	**25,005**
Finance lease obligation		345	–	–	**345**
		268,391	(3,271)	2,297	**267,417**
Non-current liabilities					
Long-term finance lease obligation		339	–	–	**339**
Derivative financial instruments		807	–	–	**807**
Deferred income taxes	e	78,516	–	(1,238)	**77,278**
Long-term provisions	c,i,d	–	43,649	11,013	**54,662**
Other non-current liabilities	i	40,378	(40,378)	–	–
		120,040	3,271	9,775	**133,086**
Total Liabilities		388,431	–	12,072	**400,503**
Shareholders' Equity					
Share capital		206,775	–	–	**206,775**
Contributed surplus		18,144	–	–	**18,144**
Retained earnings	a	780,722	–	(126,028)	**654,694**
Accumulated other comprehensive loss	a	(162,890)	–	126,113	**(36,777)**
Total Shareholders' Equity		842,751	–	85	**842,836**
Total Liabilities and Shareholders' Equity		$ 1,231,182	$ –	$ 12,157	$ **1,243,339**

Reconciliation of the statement of income and comprehensive income under CGAAP to IFRS at December 31, 2010

Consolidated Statement of Income	Note	CGAAP December 31, 2010	Effect of Transition to IFRS	Restated Under IFRS December 31, 2010
Revenue		$ 1,034,163	$ –	$ **1,034,163**
Cost of goods sold		623,641	–	**623,641**
Gross profit		410,522	–	**410,522**
Selling, general and administrative expenses	h,j	221,440	(2,264)	**219,176**
Research and development expenses		11,050	–	**11,050**
Foreign exchange (gains) losses	g	(5,745)	100	**(5,645)**
Amortization of property, plant and equipment	f	50,376	(5,299)	**45,077**
Amortization of intangible assets		5,246	–	**5,246**
Impairment of property, plant & equipment	b	–	7,107	**7,107**
Impairment of intangible assets		958	–	**958**
Impairment of goodwill		208	–	**208**
Income from operations		126,989	356	**127,345**
Gain on revaluation of investment		17,979	–	**17,979**
Investment loss on long-term investment		(1,939)	–	**(1,939)**
Interest income on short-term deposits		1,455	–	**1,455**
Interest expense on bank indebtedness		(1,631)	–	**(1,631)**
Interest expense on long-term debt		(2,327)	–	**(2,327)**
Income before income taxes		140,526	356	**140,882**
Income taxes		35,136	171	**35,307**
Net income for the period		$ 105,390	$ 185	$ **105,575**
Earnings per share				
Basic		$ 1.49	0.01	**1.50**
Diluted		$ 1.48	–	**1.48**

Consolidated Statement of Comprehensive Income			
Net income for the period	$ 105,390	$ 185	$ **105,575**
Unrealized loss on translating financial statements of foreign operations	(37,289)	(693)	**(37,982)**
Gain on hedges of unrealized foreign currency translation	1,423	–	**1,423**
Income tax expense	(218)	–	**(218)**
Other comprehensive loss for the period	(36,084)	(693)	**(36,777)**
Comprehensive income for the period	$ 69,306	$ (508)	$ **68,798**

Reconciliation of the statement of income and comprehensive income under CGAAP to IFRS at March 31, 2010

Consolidated Statement of Income	Note	CGAAP March 31, 2010	Effect of Transition to IFRS	Restated Under IFRS March 31, 2010
Revenue		$ 224,572	$ –	$ **224,572**
Cost of goods sold		138,414	–	**138,414**
Gross profit		86,158	–	**86,158**
Selling, general and administrative expenses	h	55,135	(324)	**54,811**
Research and development expenses		2,624	–	**2,624**
Foreign exchange (gains) losses	g	(1,420)	(236)	**(1,656)**
Amortization of property, plant and equipment	f	12,260	(1,461)	**10,799**
Amortization of intangible assets		1,095	–	**1,095**
Income from operations		16,464	2,021	**18,485**
Interest income on short-term deposits		227	–	**227**
Interest expense on bank indebtedness		(444)	–	**(444)**
Interest expense on long-term debt		(725)	–	**(725)**
Income before income taxes		15,522	2,021	**17,543**
Income taxes		5,523	281	**5,804**
Net income for the period		$ 9,999	$ 1,740	$ **11,739**
Earnings per Share				
Basic		$ 0.14	0.03	**0.17**
Diluted		$ 0.14	0.02	**0.16**

Consolidated Statement of Comprehensive Loss			
Net income for the period	$ 9,999	1,740	**11,739**
Unrealized loss on translating financial statements of foreign operations	(18,181)	(1,639)	**(19,820)**
Gain loss on hedges of unrealized foreign currency translation	1,350	–	**1,350**
Income tax expense	(231)	–	**(231)**
Other comprehensive loss for the period	(17,062)	(1,639)	**(18,701)**
Comprehensive loss for the period	$ (7,063)	$ 101	$ **(6,962)**

Reconciliation of Shareholders' Equity

	Note		December 31, 2010		March 31, 2010		January 1, 2010
Shareholders' equity in accordance with Canadian GAAP		$	842,751	$	779,670	$	790,422
Property, Plant and Equipment	b,f		30,462		25,980		25,977
Impairment of property, plant, and equipment	b		(21,382)		(14,275)		(14,275)
Employee Benefits	c,e		(8,170)		(10,543)		(10,547)
Effects of change in FX rates	g		(931)		(905)		(396)
Provisions			210		214		222
Decomissioning of liabilities	d		41		224		(388)
Share-based compensation	j		(145)		–		–
Shareholders' equity in accordance with IFRS		**$**	**842,836**	$	**780,365**	$	**791,015**

Notes to the reconciliations

(a) Cumulative Translation Account

IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. ShawCor has made the election to deem all cumulative translation differences be reset to zero on transition to IFRS as on January 1, 2010. Consequently, the Company has transferred $126.8 million to retained earnings from the cumulative translation adjustment account.

(b) Property, Plant and Equipment

The adjustment to property, plant and equipment at the January 1, 2010 transition date is a net increase of $14.1 million to the Net Book Value ("NBV"). NBV increased by $28.4 million due to the impact of componentization of property, plant and equipment and revision in the estimated useful life as required by IAS 16. This increase was partly offset by a combined asset impairment loss of $14.3 million recognized on certain Pipeline and Pipe Services segment fixed assets.

Under IFRS, impairment testing is performed by comparing the carrying amount to the recoverable amount, calculated using the value in use method, which uses a risk adjusted pre-tax rate to discount cash flows (i.e. a higher rate than under CGAAP) to their net present value. Under CGAAP, there is a two step process:

a) Reasonability test using the sum of the undiscounted cash flows and comparing them to the carrying value, and if the test fails

b) The amount of impairment is calculated using a risk adjusted post tax rate to discount the cash flows (i.e. a lower rate than under IFRS) to their net present value.

Under CGAAP, no impairment existed on the above assets as of December 31, 2010 and 2009.

ShawCor recognized an additional impairment at December 31, 2010 on these fixed assets under IFRS in the amount of $7.1 million. The impairment recognized is expensed in the 2010 IFRS Statement of Income.

(c) Employee Benefits

Under IFRS, the $14.4 million adjustment results from ShawCor's election to use the IFRS 1 exemption and adopt IAS 19 on a prospective basis. This 'fresh start or prospective approach' allows that the unrecognized actuarial gains/losses at December 31, 2009 for all plans be immediately recognized through an adjustment to the opening retained earnings and an increase to the liability for employee future benefits. The accrued employee future benefit obligation under IFRS was $3.3 million lower than that under CGAAP due to the application of IFRIC 14 on transition to IFRS and the application of IAS 19 on a prospective basis.

(d) Decommissioning liabilities

As at December 31, 2010, the property, plant and equipment balance associated with the accounting for decommissioning liabilities has increased by $1.6 million mainly driven by the use of lower discount rates in effect during the period under IFRS. The use of lower discount rates also resulted in the calculation of higher decommissioning liability balances throughout 2010 under IFRS.

(e) Deferred Income Tax Effect

These are the required deferred tax effects related to the various IFRS adjustments (i.e. property, plant and equipment; employee future benefits; decommissioning liabilities etc). The rates used were based on the statutory tax rates in the jurisdiction where the adjustment was made.

(f) Amortization of property plant and equipment

The 2010 income statement adjustment was due to the recalculation of depreciation expense of all fixed assets due to the application of a more detailed componentization analysis including their expected useful lives, which in a number of cases was extended. This resulted in a decrease in the amortization cost under IFRS versus CGAAP of $ 1.4 million for the quarter and $5.3 million for the full year of 2010.

(g) Foreign Exchange

Foreign exchange gains increased by $0.2 million for the three months ended March 31, 2010 and decreased by $0.1 million for the twelve months ended December 31, 2010 primarily due to the change in the translation method for certain entities accounted for under the Temporal Method under CGAAP to the Current Rate Method under IFRS.

(h) Selling, General and Administration Expense

The Employee Defined Pension expense under IFRS was $3.3 million lower than that under CGAAP due to the application of IFRIC 14 on transition to IFRS and the application of IAS 19 on a prospective basis, which was partly offset by higher decommissioning liabilities expense.

(i) Account Reclassification

Certain accounts were reclassified for financial statement presentation purposes including deferred tax assets from current to non-current reflecting the adoption of IAS 12 and the requirements for provisions to be presented separately by IAS 37.

(j) Stock-based Compensation

Adopting IFRS has resulted in a $145K additional expense due to revaluing liability settled instruments (Share Appreciation Rights ″SAR″) using the Black-Scholes model, compared to using the intrinsic value of liability under CGAAP.

(k) Adjustment to the consolidated statement of cash flows

The changes to the consolidated statement of income and consolidated balance sheet have resulted in various reclassifications on the consolidated statement of cash flows; however, there were no material changes to the net cash flows. As a result, no reconciliations have been presented.

(l) Additional IFRS information for the year ended December 31, 2010

As these consolidated financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual consolidated financial statements prepared in accordance with CGAAP have been included in these consolidated financial statements for the comparative annual period as notes 16 through 23.

5. Segment information

ShawCor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the chief operating decision-maker (″CODM″) in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than operating income or loss in the consolidated financial statements. Interest income, finance costs and income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at March 31, 2011, the Company had two reportable operating segments: Pipeline and Pipe Services and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following business units:

- Bredero Shaw, which provides pipe-coating, lining and insulation products;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction; and
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the following business units:

- ShawFlex, which manufactures wire and cable for process instrumentation and control applications; and
- DSG-Canusa, which manufactures heat shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial and Corporate

The financial and corporate division for ShawCor only earns revenue that is considered incidental to the activities of the Company. As a result, it does not meet the definition of a reportable operating segment as defined in IFRS.

Segment

The following table sets forth information by segment for the three months ended March 31:

	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and adjustments		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue										
External	$ **246,469**	194,580	**33,361**	30,395	–	–	**(364)**	(403)	**279,466**	224,572
Inter-segment	**459**	983	**36**	423	–	–	**(495)**	(1,406)	–	–
	$ **246,928**	195,563	**33,397**	30,818	–	–	**(859)**	(1,809)	**279,466**	224,572
Income (loss) from operations	$ **34,661**	22,002	**3,525**	3,011	**(8,571)**	(6,528)	–	–	**29,615**	18,485

6. Acquisition

On October 5, 2010, two subsidiaries of the Company completed the acquisition of the remaining 50% interest in Thermotite Brasil Ltda. ("TTB Ltd.") and BS Servicios de Injeção ("BSSI") that they did not previously own. The Company has acquired TTB Ltd. and BSSI as part of its strategy to invest in the Brazilian energy sector, and to also acquire the non-controlling interests of these Brazilian operations that were already integrated into the Company's existing facility.

The purchase price was $36.0 million and is to be paid in two instalments, with the first amount of $19.8 million paid upon completion of the transaction and a second payment in the range of $16.2 and $18.5 million to be paid in 2013. The second payment is estimated at $16.2 million, based on the projected combined revenue of the Brazilian Operations for the years 2010, 2011, and 2012. The carrying value of the Company's current investment was restated to fair value resulting in a gain of $18.0 million, which was recorded as a gain on revaluation of investment and is included in the Company's consolidated statement of income.

The following table shows the purchase price allocation for the acquisitions of TTB Ltd. and BSSI, and assigns the total consideration paid and the revaluation of the Company's original investment in the Brazilian joint ventures to the net assets acquired:

Current assets (excluding cash)	$	15,053
Property, plant and equipment		13,679
Intangible assets		34,419
Other assets		301
Deferred income tax assets		559
Goodwill		16,447
Current liabilities assumed		(13,976)
Deferred income tax liabilities		(15,347)
Net assets acquired, at fair value	$	51,135
Consideration:		
Cash, net of cash acquired of $272	$	19,728
Deferred purchase consideration, at present value (note 16)		13,428
Gain on revaluation of investment		17,979
	$	51,135

The goodwill acquired represents the benefits that the Company expects to earn from the acquisition due to expected synergies and other intangible assets that do not meet the criteria for recognition as identifiable Intangible Assets. The deferred purchase consideration will be accreted to its face value of $16.2 million over the period to 2013.

The Company did not acquire or divest any other significant or material businesses during the three months ended March 31, 2011 and the year ended December 31, 2010, respectively.

7. Long-term investment

The following table sets forth the Company's long-term investments as at:

		March 31, 2011		**December 31, 2010**
Investment in company subject to significant influence	$	**38,957**	$	31,971
Other long-term investment classified as available-for-sale		**24**		24
	$	**38,981**	$	31,995

Investment in company subject to significant influence - Fineglade Limited (Ireland)

On July 2, 2010, the Company made an equity investment in Fineglade Limited (Ireland) ("Fineglade") in the amount of $25.7 million (U.S.$24.7 million) to form an investor group with two private equity firms, 4D Global Energy Advisors of Paris, France, and Sophia Capital of Buenos Aires, Argentina, with the Company holding a 40% interest in the investor group. Fineglade was formed to complete a share capital investment in Socotherm S.p.A ("Socotherm") and has resulted in Fineglade attaining a 95% ownership interest in Socotherm.

During the fourth quarter of 2010, the Company made an incremental investment in Fineglade of $5.2 million (U.S.$5.1 million) as its pro rata share of a secured bridge loan provided by Fineglade to Socotherm, and a further investment in Socotherm of $3.4 million (U.S.$3.3 million) to discharge additional liabilities. On October 29, 2010, the court of Vicenza issued a homologation decree that approved the share capital investment, and the acquisition between the investor group and Socotherm was subsequently completed. As at December 31, 2010, the Company's pro rata share of the consolidated total assets of Fineglade were $92.0 million and the consolidated total liabilities were $67.3 million.

During the three months ended March 31, 2011, the Company invested an additional $9.1 million (U.S.$9.2 million) in Fineglade as it's pro rata share of a potential future capital increase by Fineglade in Socotherm and incurred an investment loss on its investment in Fineglade in the amount of $1.4 million.

The Company also entered into a shareholders' agreement with the other shareholders of Fineglade that provides the Company with significant influence over the strategic operating, investing and financing activities of Fineglade, without having joint control. In connection with the investment in Fineglade, the Company also entered into a financial instruments agreement that may result in the Company increasing its ownership in Fineglade after January 1, 2013. The net fair value of the financial instruments as at March 31, 2011 was $1.2 million (December 31, 2010 – $0.8 million) and this long-term liability has been classified under long-term derivative financial instruments, a financial liability through profit and loss, on the interim consolidated balance sheet.

8. Other assets

The following table details the other assets as at:

		March 31, 2011		**December 31, 2010**
Long-term prepaid expenses	$	**3,671**	$	3,828
Long-term notes receivable[(a)]		**3,666**		3,758
Accrued employee future benefit asset		**8,036**		8,036
	$	**15,373**	$	15,622

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at US prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms.

9. Employee Future Benefits

The Company's cost under both defined benefit and defined contribution arrangements included in SG&A expenses for the three months ended March 31, 2011 was $2.3 million (March 31, 2010 - $2.5 million).

10. Commitments and Contingencies

Legal claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

Performance, bid and surety bonds

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts which these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of Bonds.

The Company's utilizes its credit facilities to support the Company's Bonds. The Company had utilized credit facilities of $75.7 million as at March 31, 2011, and $75.1 million as at December 31, 2010, for support of its bonds.

11. Share capital

The following table sets forth the Company's shares outstanding as at:

						2011
		Class A		**Class B**		**Total**
Number of shares						
Balance, January 1, 2011		**57,578,299**		**13,058,073**		**70,636,372**
Issued on exercise of stock options		**99,962**		**–**		**99,962**
Balance, March 31, 2011		**57,678,261**		**13,058,073**		**70,736,334**
Stated value:						
Balance, January 1, 2011	**$**	**205,772**	**$**	**1,003**	**$**	**206,775**
Issued on exercise of stock options		**1,821**		**–**		**1,821**
Compensation cost on exercised options		**591**		**–**		**591**
Balance, March 31, 2011	**$**	**208,184**	**$**	**1,003**	**$**	**209,187**

						2010
		Class A		**Class B**		**Total**
Number of shares						
Balance, January 1, 2010		57,458,183		13,059,983		70,518,166
Issued on exercise of stock options		118,206		–		118,206
Conversions of Class B shares into Class A shares		1,910		(1,910)		–
Balance, December 31, 2010		57,578,299		13,058,073		70,636,372
Stated value:						
Balance, January 1, 2010	$	203,148	$	1,003	$	204,151
Issued on exercise of stock options		2,013		–		2,013
Compensation cost on exercised options		611		–		611
Balance, December 31, 2010	$	205,772	$	1,003	$	206,775

All shares have been issued and fully paid.

There are an unlimited number of Class A subordinate voting shares ("Class A shares") and Class B multiple voting shares ("Class B shares") authorized. Holders of Class A shares are entitled to one vote per share and receive a non-cumulative dividend premium of 10% of the dividends paid to holders of Class B shares. Holders of Class B shares are entitled to ten votes per share and are convertible at any time into Class A shares on a one-for-one basis.

Under the terms of the Normal Course Issuer Bid ("NCIB"), the Company was entitled to repurchase up to 3,000,000 Class A shares and up to 100,000 Class B shares between December 1, 2009 and November 30, 2010. The repurchase of shares is made in the open market at prevailing market prices; however, during 2010, the Company did not repurchase and cancel any Class A or Class B shares under the NCIB. The NCIB was renewed on November 30, 2010, entitling the Company to repurchase up to 2,000,000 Class A shares and up to 100,000 Class B shares between December 1, 2010 and November 30, 2011.

In 2011, dividends declared and paid for the three months ended March 31 were $0.075 per class A share and $0.068 per class B share (three months ended March 31, 2010 - $0.075 per class A share and $0.068 per class B share).

12. Share-based compensation

As at March 31, 2011, the Company had the following two stock option plans, both of which were initiated in 2001:

- Under the Company's 2001 employee stock option plan (the "2001 Employee Plan"), which is a traditional stock option plan, the options granted have a term of ten years from the date of the grant. Exercises are permitted on the basis of 20% of the optioned shares per year over five years, on a cumulative basis, commencing one year following the date of the grant. The grant price equals the closing sale price of the Class A shares on the day prior to the grant.

  On March 3, 2010, the Board of Directors ("Board") approved the amended 2001 Employee Plan (the "Amended 2001 Employee Plan"). All stock options granted in 2010 under the Amended 2001 Employee Plan have a tandem share appreciation right ("SAR") attached, which allows the option holder to exercise either the option and receive a share, or exercise the SAR and receive a cash payment that is equivalent to the difference between the grant price and fair market value. All stock options granted under the Amended 2001 Employee Plan have the same characteristics as stock options that were granted under the original 2001 Employee Plan, with respect to vesting requirements, term, termination and other provisions.

  On March 3, 2011, the Board modified the Amended 2001 Employee Plan (the "Restated 2001 Employee Plan") to facilitate the cashless exercise of stock options and SARs by the holders of such instruments.

The following table sets forth a summary of the Company's traditional options outstanding and exercisable as at:

	Three months ended March 31, 2011			Year ended December 31, 2010		
	Total shares		**Weighted average exercise price**	**Total shares**		**Weighted average exercise price**
Balance outstanding, Beginning of period	**2,702,160**	**$**	18.93	2,826,366	$	18.86
Granted	**102,260**		37.32	–		–
Exercised	**(99,820)**		18.20	(118,206)		17.02
Forfeited	**(12,640)**		21.79	(6,000)		21.57
Balance outstanding, End of period	**2,691,960**	**$**	19.64	2,702,160	$	18.93

The following table sets forth a summary of the Company's traditional options outstanding and exercisable as at:

	Options outstanding				Options exercisable		
Range of exercise price	**Outstanding as at March 31, 2011**	**Weighted average remaining contractual life (years)**		**Weighted average exercise price**	**Exercisable as at March 31, 2011**		**Weighted average exercise price**
$10.00 to $15.00	450,200	1.61	$	12.60	450,200	$	12.60
$15.01 to $20.00	1,388,140	4.32		16.42	1,115,044		16.62
$20.01 to $25.00	44,000	5.30		21.00	39,200		20.88
$25.01 to $30.00	677,360	6.30		27.65	468,920		27.30
$30.01 to $35.00	30,000	6.76		31.77	18,000		31.77
$35.01 to $40.00	102,260	9.76		37.32	–		–
	2,691,960		$	19.64	2,091,364	$	18.36

Range of exercise price	Options outstanding: Outstanding as at December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable: Exercisable as at December 31, 2010	Weighted average exercise price
\$10.00 to \$15.00	454,800	1.86	\$ 12.60	454,800	\$ 12.60
\$15.01 to \$20.00	1,473,120	4.63	16.42	1,033,592	16.70
\$20.01 to \$25.00	46,000	5.66	21.04	30,800	20.87
\$25.01 to \$30.00	698,240	6.53	27.67	343,064	27.18
\$30.01 to \$35.00	30,000	7.01	31.77	12,000	31.77
	2,702,160		\$ 18.93	1,874,256	\$ 17.45

The Board of Directors approved the granting of 102,260 stock options during the three months ended March 31, 2011 under the 2001 Employee Plan (the Plan). The total fair value of the stock options granted during the three months ended March 31, 2011 was \$1.3 million (three months ended March 31, 2010 - \$nil) and the weighted average fair value of the options was \$1.3 million (three months ended March 31, 2010 - \$nil), calculated using the Black-Scholes option pricing model with the following assumptions:

		2011	**2010**
Weighted average share price	\$	**36.31**	–
Exercise price	\$	**37.32**	–
Expected life of options		**7.25**	–
Expected stock price volatility		**35%**	–
Expected dividend yield		**0.8 %**	–
Risk-free interest rate		**3.2 %**	–

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 9.25 years.

The fair value of options granted under the Plan will be amortized to compensation expense over the five-year vesting period of options. The compensation cost from the continuing amortization of granted stock options for the three months ended March 31, 2011, included in selling, general and administrative expenses, was \$395 (three months ended March 31, 2010 - \$593).

Stock Options with Tandem Share Appreciation Rights

	Three months ended March 31, 2011		Year ended December 31, 2010	
	Total shares	**Weighted average fair value[(a)]**	**Total shares**	**Weighted average fair value[(a)]**
Balance outstanding, Beginning of period	**118,500**	**$ 12.94**	–	$ –
Granted	**35,800**	**12.89**	118,500	12.94
Exercised	**–**	**–**	–	–
Balance outstanding, End of period	**154,300**	**$ 12.93**	118,500	$ 12.94

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at March 31, 2011 is $0.4 million (December 31, 2010 - $0.2 million), all of which is included in accounts payable and accrued liabilities on the consolidated balance sheet.

On March 3, 2010, the Board approved a new long-term incentive program (″LTIP″) for executives and key employees and a deferred share unit (″DSU″) plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the two existing stock option plans discussed above and two new plans, the Value Growth Plan (″VGP″) and the Employee Share Unit Plan (″ESUP″).

VGP

The VGP is a cash-based awards plan which rewards executives and key employees for improving operating income and revenue over a three-year performance period. Units granted to participants vest on the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating income and revenue on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The liability as at March 31, 2011 is $2.5 million (December 31, 2010 - $1.7 million).

ESUP

The ESUP authorizes the Board to grant awards of restricted share units ("RSUs") to employees of the Company as a form of incentive compensation. All RSUs are to be settled with Class A shares and are valued on the basis of the underlying weighted average trading price of the Class A shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the Class A shares prior to the settlement of the award. Each RSU granted under the ESUP represents one Class A share. The ESUP provides that the maximum number of Class A shares that are reserved for issuance from time to time shall be fixed at 1,000,000 Class A shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively and become payable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company's RSU reconciliation for the period:

	Three months ended March 31, 2011			**Year ended December 31, 2010**		
	Total shares		**Weighted average grant date fair value**[a]	**Total shares**		**Weighted average grant date fair value**[a]
Balance outstanding, Beginning of period	**53,563**	**$**	**26.51**	–	**$**	–
Granted	**40,420**		**35.35**	53,563		26.51
Exercised	**(142)**		**27.69**	–		–
Balance outstanding, End of period	**93,841**	**$**	**30.31**	53,563	**$**	26.51
Options exercisable	**5,726**	**$**	**27.41**	–	**$**	–

(a) RSU awards do not have an exercise price; as a result, grant date weighted average fair value has been calculated.

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company, in share units or a combination of share units and cash. The number of DSUs received is equal to the amount to be paid in DSUs divided by the weighted average trading price of the Class A shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one Class A share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying Class A shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unit holder has the option to settle in cash, or shares.

The following table sets forth the Company's DSU reconciliation for the periods:

	Three months ended March 31, 2011			Year ended December 31, 2010		
	Total shares		**Weighted average grant date fair value**[a]	**Total shares**		**Weighted average grant date fair value**[a]
Balance outstanding, Beginning of period	**30,260**	**$**	**29.53**	–	$	–
Granted	**6,548**		**35.53**	30,260		29.53
Exercised	**(4,160)**		**32.42**	–		–
Balance outstanding, End of period	**32,648**	**$**	**30.37**	30,260	$	29.53
Options exercisable[b]	–	**$**	–	–	$	–

(a) DSU awards do not have an exercise price; as a result, grant date weighted average fair value has been calculated.
(b) DSU awards cannot be exercised while the director is still a member of the Board of Directors.

The mark-to-market liability for the DSUs as at March 31, 2011 is $1.2 million (December 31, 2010 - $1.0 million), all of which is included in accounts payable and accrued liabilities on the consolidated balance sheet.

Incentive-based compensation

The following table sets forth the incentive-based compensation expense recorded for the three months ended March 31:

		2011		**2010**
Stock option expense	$	395	$	593
VGP expense		856		199
DSU expense		237		161
RSU expense		128		27
SAR expense		107		2
Total incentive-based compensation expense	$	1,723	$	982

13. Key management compensation

Key management includes directors (executive and non-executive) and corporate officers. The compensation paid or payable to key management for employee and director services are shown below for the three months ended March 31:

		2011		2010
Salaries and other short-term employee benefits	**$**	**751**	$	765
Post-employment benefits		**113**		99
Share-based and other long-term incentive payments		**511**		308
Director fees and other compensation		**425**		470
	$	**1,800**	$	1,642

14. Interest in joint ventures

The following table presents the joint venture interests of the Company as at March 31, 2011:

Legal Entity	**Country of incorporation**	**Activity**	**Proportion of interest held**
Hal Shaw Inc.	USA	Pipe coating	50 %
Arabian Pipecoating Company Ltd.	Saudi Arabia	Pipe coating	30 %
Shaw & Shaw Ltd.	Canada	Pipe coating	83 %
Hellicore Holdings Ltd.	Russia	Pipe coating	25 %
TTB Ltd.[(a)]	Brazil	Pipe coating	50 %
BSSI[(a)]	Brazil	Pipe coating	50 %

(a) On October 5, 2010, Company completed the acquisition of the remaining 50% interest in TTB Ltd. and BSSI that they did not previously own; hence, TTB Ltd. and BSSI were not considered to be joint ventures subsequent to October 4, 2010.

The following table presents the Company's share of the income, expenses and cash flows of the jointly controlled entities described above for the three months ended March 31:

		2011		2010
Revenue	$	**4,469**	$	7,846
Operating expenses		**5,272**		7,992
Net loss before income taxes		**(803)**		(146)
Income taxes		**(78)**		252
Net loss	$	**(725)**	$	(398)
Cash provided by (used in)				
Operating activities	$	**60**	$	(595)
Investing activities	$	**(102)**	$	(684)
Financing activities	$	**278**	$	1,897

The following table presents the Company's share of the assets and liabilities of the jointly controlled entities as at the periods indicated:

	March 31, 2011	December 31, 2010
Current assets	$ **21,505**	$ 23,289
Non-current assets	**5,981**	6,557
Total assets	$ **27,486**	$ 29,846
Current liabilities	$ **12,187**	$ 13,296
Non-current liabilities	**762**	761
Total liabilities	$ **12,949**	$ 14,057
Net assets	$ **14,537**	$ 15,789

In the fourth quarter of 2009, the Company entered into a joint venture agreement with OOO ArkhTekhnoProm ("Arkh"), an affiliate of OAO Mezhregiontruboprovodstroi, a leading Russian offshore pipeline contractor. The joint venture was created with the formation of a company owned 75% by Arkh and 25% by the Company. This joint venture initiated active operations in 2010 and its financial information has been included in the table above.

The Company's Russian joint venture has a loan from Arkh in the amount of 600 million Russian roubles payable on demand, but no earlier than February 1, 2011. The Company's portion of this loan that has been proportionately consolidated and included on the interim consolidated balance sheet as at March 31, 2011 in the amount of $5.4 million or 156 million Russian roubles at the current exchange rate (December 31, 2010 - $5.1 million or 150 million Russian roubles at the then current exchange rate). Interest is calculated on this loan at 9.625% per annum and is to be paid over the period of actual use. In the event that the Company's Russian joint venture fails to repay the outstanding loan within the time specified by the loan agreement, a penalty in the amount of 24% per annum will be assessed on the outstanding loan amount on a daily basis.

15. Earnings per share ("EPS")

The following table details the weighted average number of shares outstanding for the purposes of calculating basic and diluted EPS for the three months ended March 31:

	2011	2010
Income used to calculate EPS		
Net income for the period	$ **20,485**	$ 11,739
Average number of shares outstanding during the period - basic		
Class A	**57,596,578**	57,464,446
Class B	**13,058,073**	13,059,973
	70,654,651	70,524,419
Dilutive effect of stock options		
Class A	**1,106,703**	838,102
Class B	**–**	–
	1,106,703	838,102
Average number of shares outstanding - diluted		
Class A	**58,703,281**	58,302,548
Class B	**13,058,073**	13,059,973
	71,761,354	71,362,521
Basic EPS	**$ 0.29**	$ 0.17
Diluted EPS	**$ 0.29**	$ 0.16

As these are the Company's first financial statements prepared under IFRS, notes 16 to 23 reflect some of the comparative period disclosures required in the annual financial statements to be in accordance with IFRS, which were not included in the audited annual consolidated financial statements prepared in accordance with CGAAP for the year ended December 31, 2010.

16. Provisions

The following table sets forth the Company's provisions as at:

		Decommissioning liabilities	Deferred purchase consideration	Accrued Employee Future Defined Benefit Obligations	Warranties and Other provisions	Total
Balance – January 1, 2010	$	**16,923**	**–**	**18,452**	**10,146**	**45,521**
Additions		7,378	13,843[(a)]	–	7,104	28,325
Settlement of liabilities		(2,727)	–	–	(2,537)	(5,264)
Accretion expense		302	–	–	–	302
Revision of estimates		–	–	–	(1,353)	(1,353)
Provision reversal		–	–	(3,338)	(582)	(3,920)
Foreign exchange differences		(1,010)	(164)	(255)	(527)	(1,956)
Loss (gain) on settlement		(181)	–	–	–	(181)
Balance – December 31, 2010	**$**	**20,685**	**13,679**	**14,859**	**12,251**	**61,474**
Current	$	53	–	–	6,759	6,812
Non-current	$	20,632	13,679	14,859	5,492	54,662
Total Provisions		**20,685**	**13,679**	**14,859**	**12,251**	**61,474**

(a) The deferred purchase consideration represents contingent consideration payable in the amount of $13,428 and $415 payable for non-competition agreements.

Decommissioning liabilities

The total undiscounted cash flows which are estimated to be required to settle all decommissioning liabilities is $25.4 million as at December 31, 2010. The current pre-tax risk-free rate at which the estimated cash flows have been discounted range between 0.30% and 12.99%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

17. Property, plant and equipment

The following table sets forth the Company's property, plant and equipment:

		Land and land improvements	Buildings	Machinery and equipment	Capital projects in progress	Total
Cost						
Balance - January 1, 2010	$	49,367	154,419	536,257	4,918	744,961
Exchange differences		(89)	(5,146)	3,926	721	(588)
Additions		414	7,139	28,614	12,556	48,723
Acquisitions		–	–	18,108	–	18,108
Decommissioning liabilities & others		–	–	5,798	–	5,798
Disposals		(9,296)	(24,916)	(55,435)		(89,647)
Balance - December 31, 2010	**$**	**40,396**	**131,496**	**537,268**	**18,195**	**727,355**
Amortization						
Balance - January 1, 2010	$	(23,897)	(85,264)	(351,509)	–	(460,670)
Exchange differences		29	4,859	(6,184)	–	(1,296)
Depreciation expense		(104)	(20,863)	(24,110)	–	(45,077)
Impairment		(369)	(2,816)	(3,922)	–	(7,107)
Acquisitions		–	–	(4,429)	–	(4,429)
Decommissioning liabilities & others		–	–	1,177	–	1,177
Eliminated on disposal		7,897	24,913	52,750	–	85,560
Balance - December 31, 2010	**$**	**(16,444)**	**(79,171)**	**(336,227)**	**–**	**(431,842)**
Net book value						
As at January 1, 2010	$	25,470	69,155	184,748	4,918	284,291
As at December 31, 2010	**$**	**23,952**	**52,325**	**201,041**	**18,195**	**295,513**

18. Intangible assets

The following table sets forth the Company's intangible assets:

		Intellectual property, with limited life[(a)]	Intangible assets, with limited life[(b)]	Intangible assets, with indefinite life[(c)]	Total
Cost					
Balance - January 1, 2010	$	57,576	9,547	1,931	69,054
Additions		–	306	–	306
Acquisition of a subsidiary		7,428	26,991	–	34,419
Balance - December 31, 2010	$	65,004	36,844	1,931	103,779
Amortization and impairment					
Balance - January 1, 2010		5,407	863	–	6,270
Amortization		4,091	1,107	–	5,198
Impairment		227	400	331	958
Balance - December 31, 2010	$	9,725	2,370	331	12,426
Net book value					
As at January 1, 2010	$	52,169	8,684	1,931	62,784
As at December 31, 2010	$	55,279	34,474	1,600	91,353

(a) Intellectual property, with limited life, represents the costs of certain technology and know-how and patents obtained in acquisitions. The Company amortizes the cost of intellectual property over its estimated useful life of 15 years.
(b) Intangible assets, with limited life, represent trademarks, customer relationships and non-competition agreements acquired directly or in conjunction with a past business combination. The Company amortizes the cost of intangible assets with limited life over its estimated useful life of 15 years.
(c) Intangible assets, with indefinite life, represent the value of brands obtained in past acquisitions. As the cost of intangible assets with indefinite life is not amortized, the Company assesses these intangible assets for impairment on an annual basis.

During 2010, the Company assessed the fair value of the recoverability of the intangible assets at each of the Company's underlying business units. This review determined that, due to changing market conditions, intangible assets at the Company's Shaw Inspection Services business were impaired, and accordingly an impairment charge of $958 has been recorded in 2010.

During 2010, the Company also assessed the fair value of the recoverability of other intangible assets with indefinite life and found that such assets were not impaired.

19. Impairment of Property, Plant and Equipment

During fiscal 2010, qualitative factors such as line reductions, reduced levels of drilling activity in certain regions and low capacity utilization coupled with the lingering impact of the financial crisis of 2008 had an impact on some cash generating units of the Company, which were dependent on one or a few major projects that were coming close to completion. More specifically, indications were that three production plants in the Company's Bredero Shaw group of CGU's may be impaired. These three production plants are located in Camrose, Canada; Portland, U.S.A.; and Sharjah, U.A.E., and each one of these production plants is a separate CGU in the Pipeline and Pipe services segment.

		Camrose, AB Canada	Portland, OG U.S.A.	Sharjah U.A.E.	Total
January 1, 2010					
Land and land improvements	$	1,460	–	–	1,460
Buildings		5,931	178	–	6,109
Plant, machinery and equipment		5,446	1,260	–	6,706
Impairment charge	$	**12,837**	**1,438**	**–**	**14,275**
December 31, 2010					
Land and land improvements		363	–	6	369
Buildings		2,679	81	56	2,816
Plant, machinery and equipment		2,037	619	1,266	3,922
Impairment charge	$	**5,079**	**700**	**1,328**	**7,107**

Recoverable amount

The Company determines the recoverable amount for its CGUs as the higher of Value-in-use (″VIU″) and the CGUs Fair Value Less Costs to Sell (″FVLCS″). For the property, plant and equipment impairment test, the VIU of each of the CGUs was higher than the CGU's FVLCS. The Company determines the recoverable amount for its CGUs using the VIU model for the purpose of testing property, plant and equipment for impairment. VIU calculations use pre-tax cash flow projections based on three-year financial business plans approved by the Board of Directors. Management also determined budgeted gross margin based on past performance and its expectations of market developments. Cash flows beyond the three-year period are extrapolated using estimated growth rates as applicable. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The VIU is determined by discounting the future free cash flows generated from the Company's continuing use of the respective CGU. The discount rates used are pre-tax and reflect specific risks relating to the CGU. The discounted cash flow model employed by the Company reflects the specific risks of each CGU and its business environment. The model calculates the VIU as the present value of the projected free cash flows and the Terminal Value of each CGU. To ensure the reasonability of the VIU estimate, the VIU calculation for each CGU was compared to the CGUs FVLCS amount, which was approximately the same amount.

Details relating to the discounted cash flow models used in the impairment tests of the property, plant and equipment balances are as follows:

	Camrose, Alberta Canada	Portland, OG U.S.A.	Sharjah U.A.E.
January 1, 2010			
Valuation basis	Value-in-use	Value-in-use	Value-in-use
Period of specific projected cash flows	5 years	5 years	5 years
Discount rate	18.6%	24.5%	23.5%
Growth rate	0.0%	(a)	(a)
December 31, 2010			
Valuation basis	Value-in-use	Value-in-use	Value-in-use
Period of specific projected cash flows	5 years	5 years	3 years
Discount rate	19.1%	24.1%	18.8%
Growth rate	0.0%	(a)	(a)

(a) The property, plant and equipment at the Portland CGU and the Sharjah CGU were assumed to have been redeployed to other sites of the Company at the end of forecast period; the terminal values for the redeployed assets were estimated as the amount that other divisions would be expected to pay for these redeployed assets; as a result, no terminal growth rates were applied at these CGUs.

20. Goodwill

The changes in the carrying amount of goodwill are shown below:

	March 31, 2011	December 31, 2010
Gross amount of goodwill	$ **220,300**	$ 214,449
Accumulated impairment	**(208)**	–
Balance, beginning of period	$ **220,092**	$ 214,449
Additions to goodwill on acquisition	–	16,447
Impairment of goodwill	–	(208)
Foreign exchange	**(932)**	(10,596)
Balance, end of period	$ **219,160**	$ 220,092

In 2010, goodwill acquired during the year was a result of the acquisition of TTB Ltd. and BSSI (collectively "BSRTL") *[note 6]*.

The following table summarizes the significant carrying amount of goodwill:

CGU	March 31, 2011	December 31, 2010	January 1, 2010
Bredero Shaw (excluding BSRTL)	$ 136,987	$ 138,287	$ 141,849
BSRTL	16,144	16,447	4,927
Flexpipe	49,706	49,706	49,706
DSG-Canusa GmbH	16,323	15,652	17,759
SIS (Shaw Inspection Services)	–	–	208
Total Goodwill	**$ 219,160**	$ 220,092	$ 214,449

(a) Impairment Testing for each Reporting Unit containing Goodwill

The Company performed a goodwill impairment test for each specified group of CGUs (″GCGU″) that contained goodwill at the IFRS transition date of January 1, 2010 (″IFRS Transition Date″); a second goodwill impairment test was also completed on the Company's traditional annual goodwill impairment testing date of October 31, 2010 (″Annual Goodwill Valuation Date″). At the IFRS Transition Date, the Company concluded that there was no impairment of goodwill in any of its GCGUs, as the recoverable amount for these GCGUs was higher than their respective carrying amount. At the Annual Goodwill Valuation Date, the Company concluded that due to changing market conditions, goodwill pertaining to the Company's Shaw Inspection Services business was impaired, and accordingly a goodwill impairment charge to selling, general and administrative (″SG&A″) expense of $208 was recorded in 2010.

(b) Recoverable Amount

The Company determines the recoverable amount for its GCGUs as the higher of VIU and the FVLCS. For the goodwill impairment test, the FVLCS of each of the GCGUs was higher than its VIU. FVLCS calculations use post-tax cash flow projections based on three-year financial business plans (″Business Plans″) approved by the Company's Board of Directors, which are then projected out for a future period of two years based on managements' best estimates. Cash flows beyond the five year period are extrapolated using estimated growth rates as applicable. The growth rate does not exceed the long-term average growth rate for the business in which the GCGUs operate. The FVLCS is calculated net of selling costs that are estimated at 2%.

The FVLCS is determined by discounting the future free cash flows generated from the Company's continuing use of the respective GCGUs. The discount rates used are post-tax and reflect specific risks relating to the GCGUs. The discounted cash flow model employed by the Company reflects the specific risks of each GCGUs and their business environment. The model calculates the FVLCS as the present value of the projected free cash flows and the Terminal Value of each group of CGUs.

The calculation of FVLCS for each GCGU is most sensitive to the following key assumptions:

- Projected Free Cash Flows
- Market Assumptions
- Discount Rate
- Growth Rate and Terminal Value

Projected Free Cash Flows

The Projected Free Cash Flows for each GCGUs are derived from the most recently completed Business Plan, which are projected out for a future time period of two years based on managements' best estimates. Projected Free Cash Flows are estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization, accretion, and foreign exchange), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the GCGU's respective markets and in the overall macro-economic environment.

Market Assumptions

The forecasted revenue for GCGUs in the Business Plan is based on that GCGUs securing an estimated number of projects. A change in the number of estimated projects to be secured by a GCGUs can have a material impact on the projected future cash flows for that particular GCGUs. The Gross margin for each GCGUs in the Business Plan is also dependent on assumptions made about the price of raw materials in the future; a change in the assumptions of these key inputs can have a material impact on the projected future cash flows for a particular GCGUs.

Discount Rate

Discount rates represent the current market assessment of the risks specific to each GCGUs, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its CGUs and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. CGU specific risk is incorporated by applying individual specific risk factors; these specific risk factors are evaluated annually.

The following are the discount rates used in the calculation of the impairment tests:

	October 31, 2010	**January 1, 2010**
Bredero Shaw (excluding BSRTL)	11%	11%
BSRTL	14%	14%
Flexpipe	14%	14%
DSG-Canusa GmbH	12%	12%
SIS (Shaw Inspection Services)	12%	12%

Terminal Value Growth Rate

The Terminal Value Growth Rate is used to calculate the Terminal Value of the GCGUs at the end of the Projected Free Cash Flow period of five years. A Terminal Value Growth Rate of 3.0% was used (for both goodwill impairment tests) reflecting a conservative expectation of a recovery in the general economy and forecasted increases in drilling activity for the GCGUs' respective markets; this figure also represents the Company's best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to changes in assumptions

With regard to the assessment of FVLCS of the Bredero Shaw, BSRTL, Flexpipe and the DSG-Canusa GmbH CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, as estimated by the CGU's FVLCS.

21. Geographical information

Geographical region is determined by the country or location of operation. The following table sets forth information by geographical region for the year ended December 31, 2010:

		Canada	U.S.A.	Latin America	EMAR	Asia Pacific	Elimin-ations	Total
Revenue								
External	$	332,681	143,994	56,400	234,770	268,095	(1,777)	1,034,163
Inter-segment		1,678	726	–	232	–	(2,636)	–
	$	334,359	144,720	56,400	235,002	268,095	(4,413)	1,034,163

22. Finance leases

The Company has finance leases in place for various items of plant and machinery. These leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease.

The following table presents the future minimum lease payments under finance leases with the present value of the net minimum lease payments as at December 31, 2010:

		Minimum payments	Present value of payments
Within one year	$	399	345
After one year but not more than five years		400	339
Total minimum lease payments		799	684
Less: Amounts representing interest charges		(115)	–
Present value of minimum lease payments	$	684	684

23. Income taxes

The following table sets forth the Company's income tax expense for the year ended December 31, 2010:

		2010
Consolidated statement of income		
Current tax		
Based on taxable income of current period	$	34,409
Prior year (under) over provision		–
Total current taxation expense		34,409
Deferred tax		
Deferred tax on reversal of temporary differences		898
Total deferred tax		898
Total income tax expense	$	35,307
Recognized directly in equity		
Cash flow hedges	$	218
Total tax charged to equity	$	218

The following table sets forth a reconciliation of the Company's effective income tax rate for the year ended December 31:

	2010
Combined basic federal and provincial income tax rate	30.5%
Expected rate	30.5%
Tax rate differential on earnings of foreign subsidiaries	(4.7%)
Benefit of previously unrecognized tax losses of foreign subsidiaries	(0.5%)
Unrecognized tax losses of foreign subsidiaries	1.6%
Unrealized gain on share acquisition	(4.2%)
Other	2.3%
Effective income tax rate	**25.0%**

The tax rate is computed using the average Canadian tax rate based on provincial allocations.

The following table sets forth the components of deferred income taxes as at December 31:

		2010
Deferred tax asset		
Amortizable property, plant and equipment	$	17,572
Provisions and future expenditures		15,983
Total deferred tax asset	$	**33,555**
Deferred tax liability		
Amortizable property, plant and equipment	$	49,246
Provisions and future expenditures		28,032
Total deferred tax liability	$	**77,278**

Reconciliation of Net deferred taxes

Deferred tax liability – January 1, 2010	$	34,161
Tax expense recognized in consolidated statement of income		898
Tax expense (income) recognized in equity		218
Adjustment of prior years filed/provided		8,446
Net deferred tax liability – December 31, 2010	$	**43,723**

The Company has set up deferred tax assets of $nil at December 31, 2010 that are dependent on future taxable profits in excess of profits arising from the reversal of existing temporary differences. The Company has net operating losses of $15.8 million at December 31, 2010 and net capital losses of $19.9 million as at December 31, 2010 in various jurisdictions for which no future tax asset has been recognized.

The capital losses carry forward indefinitely while the operating losses will expire as follows (the "Thereafter" category including losses which carry forward indefinitely):

2011	$	506
2012		369
2013		234
2014		85
2015		–
Thereafter		14,605
	$	**15,799**

24. Comparative figures

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current consolidated financial statements in accordance with IFRS.