Shawcor Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Shawcor Ltd.

We have audited the accompanying consolidated financial statements of Shawcor Ltd., which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shawcor Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

March 1, 2018

Shawcor Ltd.

Consolidated Statements of Income (Loss)

For the years ended December 31:

(in thousands of Canadian dollars, except per share amounts)		**2017**		2016
Revenue				
Sale of products	**$**	**509,491**	$	373,128
Rendering of services		**1,057,161**		836,131
		1,566,652		1,209,259
Cost of Goods Sold and Services Rendered		**980,919**		816,775
Gross Profit		**585,733**		392,484
Selling, general and administrative expenses		**342,991**		320,643
Research and development expenses		**10,536**		13,239
Foreign exchange gains		**(249)**		(1,386)
Amortization of property, plant and equipment (note 20)		**77,267**		57,255
Amortization of intangible assets (note 21)		**19,170**		23,035
Gain on sale of land		**(311)**		(6,493)
Impairment (note 25)		**8,073**		157,311
Income (Loss) from Operations		**128,256**		(171,120)
Loss from investments in associates		**(6,271)**		(3,536)
Finance costs, net (note 10)		**(16,817)**		(15,915)
Cost associated with repayment and modification of long-term debt (note 29)		**–**		(3,009)
Gain from arbitration award (note 31)		**–**		19,221
Income (Loss) before Income Taxes		**105,168**		(174,359)
Income taxes (note 11)		**33,988**		6,207
Net Income (Loss)	**$**	**71,180**	$	(180,566)
Net Income (Loss) Attributable to:				
Shareholders of the Company	**$**	**71,307**	$	(180,960)
Non-controlling interests		**(127)**		394
Net Income (Loss)	**$**	**71,180**	$	(180,566)
Earnings (Loss) per Share (note 12)				
Basic	**$**	**1.02**	$	(2.80)
Diluted	**$**	**1.02**	$	(2.80)
Weighted Average Number of Shares Outstanding (000s) (note 12)				
Basic		**69,926**		64,719
Diluted		**70,102**		64,719

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

Shawcor Ltd.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31:

(in thousands of Canadian dollars)		**2017**		2016
Net Income (Loss)	**$**	**71,180**	$	(180,566)
Other Comprehensive Loss				
Other Comprehensive Loss to be Reclassified to Net Income (Loss) in Subsequent Periods				
Exchange differences on translation of foreign operations		**(33,446)**		(40,970)
Other comprehensive loss attributable to investments in associates		**(280)**		(593)
Cash flow hedge gains		**–**		3,011
Net Other Comprehensive Loss to be Reclassified to Net Income (Loss) in Subsequent Periods		**(33,726)**		(38,552)
Other Comprehensive Income not to be Reclassified to Net Income (Loss) in Subsequent Periods				
Actuarial gains on defined benefit plans (note 15)		**692**		2,844
Income tax expense (note 11)		**(168)**		(752)
Net Other Comprehensive Income not to be Reclassified to Net Income (Loss) in Subsequent Periods		**524**		2,092
Other Comprehensive Loss, Net of Income Taxes		**(33,202)**		(36,460)
Total Comprehensive Income (Loss)	**$**	**37,978**	$	(217,026)
Comprehensive Income (Loss) Attributable to:				
Shareholders of the Company	**$**	**38,022**	$	(215,463)
Non-controlling interests		**(44)**		(1,563)
Total Comprehensive Income (Loss)	**$**	**37,978**	$	(217,026)

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

Shawcor Ltd.

Consolidated Balance Sheets

As at December 31:

(in thousands of Canadian dollars)		**2017**		2016
ASSETS				
Current Assets				
Cash and cash equivalents (note 16)	**$**	**289,065**	$	194,824
Short-term investments		**–**		1,890
Loans receivable (note 17)		**2,448**		3,832
Accounts receivable (note 18)		**259,694**		294,397
Income taxes receivable		**20,205**		35,141
Inventory (note 19)		**115,479**		113,485
Prepaid expenses		**21,931**		22,477
Derivative financial instruments (note 7)		**382**		9,393
		709,204		675,439
Non-current Assets				
Loans receivable (note 17)		**2,283**		5,058
Property, plant and equipment (notes 20 and 25)		**417,781**		471,468
Intangible assets (notes 21 and 25)		**164,872**		192,907
Investments in associates (note 23)		**20,188**		26,739
Deferred income tax assets (note 11)		**33,876**		28,955
Other assets (note 24)		**20,606**		26,407
Goodwill (notes 22 and 25)		**329,391**		350,818
		988,997		1,102,352
Total Assets	**$**	**1,698,201**	$	1,777,791
LIABILITIES AND EQUITY				
Current Liabilities				
Bank indebtedness (note 29)	**$**	**–**	$	2,463
Accounts payable and accrued liabilities (note 26)		**201,017**		212,539
Provisions (note 27)		**27,361**		21,104
Income taxes payable		**42,904**		39,011
Derivative financial instruments (note 7)		**1,915**		3,759
Deferred revenue		**44,826**		103,584
Obligations under finance lease (note 31)		**1,111**		950
Other liabilities (note 28)		**11,848**		12,043
		330,982		395,453
Non-current Liabilities				
Long-term debt (note 30)		**246,175**		263,528
Obligations under finance lease (note 31)		**10,840**		11,019
Provisions (note 27)		**36,555**		35,304
Employee future benefits (note 15)		**18,552**		20,727
Deferred income tax liabilities (note 11)		**6,448**		7,484
Other liabilities (note 28)		**3,665**		1,236
		322,235		339,298
Total Liabilities		**653,217**		734,751
Equity				
Share capital (note 32)		**704,956**		703,316
Contributed surplus		**27,651**		23,379
Retained earnings		**302,406**		273,045
Non-controlling interests		**5,848**		5,892
Accumulated other comprehensive income		**4,123**		37,408
Total Equity		**1,044,984**		1,043,040
Total Liabilities and Equity	**$**	**1,698,201**	$	1,777,791

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

Shawcor Ltd.

Consolidated Statements of Changes in Equity

For the years ended December 31:

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Income	Total Equity
Balance - December 31, 2015	534,484	18,638	492,713	7,455	71,911	1,125,201
Net (loss) income	–	–	(180,960)	394	–	(180,566)
Other comprehensive loss	–	–	–	(1,957)	(34,503)	(36,460)
Comprehensive loss	–	–	(180,960)	(1,563)	(34,503)	(217,026)
Issued through public offering (net of commissions and share issuance costs of $7.3 million) (note 32)	165,295	–	–	–	–	165,295
Issued on exercise of stock options	2,311	–	–	–	–	2,311
Compensation cost on exercised stock options	764	(764)	–	–	–	–
Compensation cost on exercised restricted share units	462	(462)	–	–	–	–
Stock-based compensation expense	–	5,967	–	–	–	5,967
Dividends declared and paid to shareholders (note 32)	–	–	(38,708)	–	–	(38,708)
Balance - December 31, 2016	$ 703,316	$ 23,379	$ 273,045	$ 5,892	$ 37,408	$ 1,043,040
Net income (loss)	–	–	71,307	(127)	–	71,180
Other comprehensive income (loss)	–	–	–	83	(33,285)	(33,202)
Comprehensive income (loss)	–	–	71,307	(44)	(33,285)	37,978
Issued on exercise of stock options	761	–	–	–	–	761
Compensation cost on exercised stock options	278	(278)	–	–	–	–
Compensation cost on exercised restricted share units	601	(601)	–	–	–	–
Stock-based compensation expense	–	5,151	–	–	–	5,151
Dividends declared and paid to shareholders (note 32)	–	–	(41,946)	–	–	(41,946)
Balance - December 31, 2017	**$ 704,956**	**$ 27,651**	**$ 302,406**	**$ 5,848**	**$ 4,123**	**$ 1,044,984**

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

Shawcor Ltd.

Consolidated Statements of Cash Flows
For the years ended December 31:

(in thousands of Canadian dollars)		2017		2016
Operating Activities				
Net income (loss) for the year	**$**	**71,180**	$	(180,566)
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment (note 20)		**77,267**		57,255
Amortization of intangible assets (note 21)		**19,170**		23,035
Amortization of long-term prepaid expenses		**1,179**		467
Impairment (note 25)		**8,073**		157,311
Decommissioning liabilities expense (note 27)		**(746)**		(2,875)
Other provisions expense (note 27)		**12,644**		9,711
Share-based and other incentive-based compensation (note 14)		**7,969**		8,548
Deferred income taxes (note 11)		**(6,107)**		(16,396)
(Gain) loss on disposal of property, plant and equipment		**(27)**		719
Gain on sale of land		**(311)**		(6,493)
Unrealized loss (income) on derivative financial instruments		**7,167**		(81)
Loss from investments in associates (note 23)		**6,271**		3,536
Other		**–**		(689)
Settlement of decommissioning liabilities (note 27)		**(765)**		(292)
Settlement of other provisions (note 27)		**(3,791)**		(16,288)
Net change in employee future benefits (note 15)		**3,152**		56
Change in non-cash working capital and foreign exchange		**(23,879)**		94,935
Cash Provided by Operating Activities		**178,446**		131,893
Investing Activities				
Decrease (increase) in loans receivable		**3,766**		(1,205)
Decrease in short-term investments (net)		**1,890**		1,064
Purchases of property, plant and equipment		**(41,068)**		(89,252)
Proceeds on disposal of property, plant and equipment		**4,361**		14,784
Purchase of intangible assets		**(71)**		–
Increase in other assets		**(836)**		(4,420)
Business acquisitions, net of cash acquired (note 5)		**–**		(32,331)
Cash Used in Investing Activities		**(31,958)**		(111,360)
Financing Activities				
(Decrease) increase in bank indebtedness (note 29)		**(2,463)**		2,463
Decrease in loans payable (note 30)		**–**		(520)
Repayment of long-term debt		**–**		(202,568)
Payment of obligations under finance lease (note 31)		**(1,090)**		(829)
Other liabilities - non-current		**(222)**		–
Issuance of shares (net of commissions and share issuance costs) (note 32)		**761**		167,606
Dividends paid to shareholders (note 32)		**(41,946)**		(38,708)
Cash Used in Financing Activities		**(44,960)**		(72,556)
Effect of Foreign Exchange on Cash and Cash Equivalents		**(7,287)**		(13,798)
Net Increase (Decrease) in Cash and Cash Equivalents for the Year		**94,241**		(65,821)
Cash and Cash Equivalents – Beginning of Year		**194,824**		260,645
Cash and Cash Equivalents – End of Year	**$**	**289,065**	$	194,824
Supplemental Cash Flow Information				
Interest paid	**$**	**15,826**	$	17,688
Interest received	**$**	**1,326**	$	780
Income taxes paid	**$**	**39,072**	$	26,112

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Shawcor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. Shawcor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "Shawcor"), 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 eight divisions with over 80 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 8.

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

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1 Basis of Financial Statement Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2017.

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 2.

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 equity accounted interests in joint ventures and associates.

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 2.

The results of the subsidiaries acquired during the year 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 arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 were authorized for issue by the Company's Board of Directors (the "Board") on March 1, 2018.

2 Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with IFRS. The more significant accounting policies are as follows:

a) Critical Judgments in Applying Accounting Policies

The following are the critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Materiality

Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements or in the financial statement notes.

Determination of Reportable Operating Segments

Management has exercised judgment in evaluating the defined aspects of its operating segments, aggregation criteria, and quantitative thresholds that form the reportable operating segments of the Company. Management has also exercised professional judgment in determining that the Company's Chief Executive Officer ("CEO") is the Company's Chief Operating Decision Maker ("CODM"). Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

Determination of Cash-generating Units ("CGUs")

Management has exercised judgment in identifying the CGUs of the Company. In performing impairment assessments of long-lived assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determination of CGUs is also required for impairment testing of goodwill.

Business Acquisitions

Significant judgments and assumptions are made in compiling the purchase price allocation for acquired companies. Management has exercised professional judgment in determining the total consideration paid in an acquisition, including any contingent consideration, and in determining the assets and liabilities that should be part of the purchase price accounting. Management has also exercised judgment in identifying intangible assets and in choosing the appropriate valuation models and techniques to determine their fair values. Management has also exercised professional judgment in characterizing the composition of any residual goodwill and its allocation to CGUs benefiting from the goodwill.

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 measured. 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 into account changing facts and circumstances.

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

Decommissioning Liabilities

Management is required to apply judgment in determining whether any legal or constructive obligations exist to dismantle, remove or restore its assets, including any obligations to rehabilitate environmental damage on its properties. Management is required to make significant assumptions in determining the obligation for decommissioning liabilities. There are numerous factors that will affect the liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Income Taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The tax filings also are subject to audits, the outcome of which could change the amount of current and deferred income tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that is currently available.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Management judgment is used to determine the amounts of deferred income tax assets and liabilities to be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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 recoverable amounts of its CGUs with goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write-downs of the value of these assets are required. Similarly, the Company evaluates the recoverable amounts of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, at each reporting date. Further, at each reporting date, the Company evaluates whether there are indicators of impairment or reversal of impairment for long-lived assets or groups of long-lived assets. If indicators are noted, the Company evaluates the recoverable amount of the asset or CGU to which the asset belongs, to determine if an impairment charge or reversal of impairment is warranted. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use or fair value less costs of disposal calculations. Actual results could differ from these assumptions and estimates.

Employee Future Benefit Obligations

The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the defined benefit obligation recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The realized results of these factors could differ from the estimates used in the calculations, which may have an impact on operating expenses, non-current assets and non-current liabilities.

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.

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, income and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the losses can be utilized.

Given the wide range of international business relationships and the complexity and duration of contracts, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and tax expense already recorded. The Company establishes liabilities, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of the respective entity.

c) Business Combinations

Business combinations are accounted for using the acquisition method of accounting. 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. Acquisition transaction costs and any restructuring costs are charged to the consolidated statements of income (loss) 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.

d) Foreign Currency Translation

Functional and Presentation Currency

Amounts included in the financial statements of each of the Company's subsidiaries, joint arrangements and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company are presented in Canadian dollars, which is the parent Company’s functional and presentation currency.

Foreign 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income (loss), except when deferred in other comprehensive income (loss) ("OCI") as qualifying net investment hedges.

Translation of Foreign Operations

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

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- income and expenses for each consolidated statement of income (loss) are translated at the average exchange rates prevailing for the year.

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 reclassified to OCI.

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 statements of income (loss) 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.

e) **Financial Instruments**

Financial assets recorded at fair value through profit or loss include financial assets held for trading or meeting specified criteria and designated upon initial recognition at fair value through profit or loss as appropriate.

Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale by the Company or do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheets at fair value, with gains or losses from changes in fair value during a period included in OCI.

Financial assets are recognized initially at fair value.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss, or loans and borrowings.

Financial liabilities classified as fair value through profit or loss include derivative financial instruments. Any changes in fair value are recognized through the consolidated statements of income (loss).

Loans and borrowings are initially recorded at fair value less any directly attributable transaction costs. After initial recognition, these 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 sheets as well as their designation by the Company:

Balance Sheet Item	**Designation**
Cash and Cash equivalents	Fair value through profit or loss
Short-term investments	Held-to-maturity
Accounts receivable	Loans and receivables
Loans receivable	Loans and receivables
Convertible preferred shares	Available-for-sale
Derivative financial instruments	Fair value through profit or loss
Bank indebtedness	Loans and borrowings
Accounts payable	Loans and borrowings
Deferred purchase consideration	Fair value through profit or loss
Long-term debt	Loans and borrowings

Derivative Financial Instruments

The Company's policy is to document its risk management objectives and strategy for undertaking various derivative financial instrument transactions. Derivative financial instruments designated as effective net investment hedges are reflected in the consolidated balance sheets at fair value, with any gains or losses resulting from fair value changes included in OCI to the extent of hedge effectiveness. Derivative financial instruments not designated as part of a formal hedging relationship are carried at fair value in the consolidated balance sheets, with gains or losses resulting from changes in fair value during a period recognized in the consolidated statements of income (loss).

Fair Value

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

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

Derecognition

Financial assets are derecognized when the contractual rights to the receipt of cash flows expire 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 when 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 acquired or liabilities assumed, is recognized in the consolidated statements of income (loss) 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 occurred, the amount of the loss is measured as the difference between the carrying amount and the present value of the 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 the impairment loss is recognized in the consolidated statements of income (loss).

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 statements of income (loss).

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.

f) Revenue Recognition

Revenue is recognized 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 net of taxes or duty. The Company has concluded that it is the principal in its revenue arrangements since it is the primary obligor, has pricing latitude and is exposed to inventory and credit risks.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services

Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts and is recognized by reference to the stage of completion. Stage of completion is determined based on surveys of work performed as measured by units of production (for example: meters of pipe coated or hours of inspection or repair services provided) to date multiplied by contractually agreed upon rates.

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 contract milestones (such as the commencement of coating) or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenue unless the changes are probable and can be reliably measured.

The Company records payments received in advance of revenue recognition from customers as deferred revenue, which are then recognized as revenue as products are delivered and as services are performed.

g) 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 in which they occur. Borrowing costs consist of

interest and other costs that an entity incurs in connection with the borrowing of funds.

h) Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The employee future benefits liability recognized on the consolidated balance sheets, in respect of the defined benefit pension plans, represents the deficit position for those defined benefit plans, whose defined benefit obligation exceeds that pension plan's assets. The Company has included in other assets the net surplus position of those defined benefit plans whose pension plan assets exceed the defined benefit obligation.

The defined benefit obligation is determined by independent actuaries using the project unit credit method pro-rated on service. 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 defined benefit arrangements. Plan assets are valued at quoted market prices at the consolidated balance sheet dates.

Past service costs arising from plan amendments are fully recognized in income when the plan amendment or curtailment occurs, or when related restructuring costs or termination benefits are recognized, whichever comes first.

Actuarial gains and losses resulting from experience adjustments and the effect of changes in actuarial assumptions, and actual returns on plan assets, as compared to returns using interest rates of high quality corporate bonds, are recognized in OCI in the period in which they arise.

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 statements of income (loss) as those services are provided.

i) Share-based and Other Incentive-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 for equity-settled awards 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 incentive options, rights or units.

In accordance with IFRS, for each award of stock-based compensation that vests in installments, the fair value is determined on each installment 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 as the expense is recognized and transferred to share capital if and when the option, unit or right is exercised.

Consideration received on the exercise of a stock option, right or unit is credited to share capital, when additional equity instruments are issued. Options, units or rights that are settled with cash are classified as liability instruments in accordance with IFRS.

Awards where the employee has the right to choose whether a share-based transaction is settled in cash or by issuing equity are accounted for as liabilities on the consolidated balance sheets.

For cash-settled awards, the fair value of the liability is recalculated at each consolidated balance sheet date until the awards are settled based on the estimated number of awards that are expected to vest, adjusting for 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 consolidated 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 consolidated balance sheet date is recognized as a liability. Movements in the liability are recognized in the consolidated statements of income (loss). The fair value is recalculated using an option pricing model or other appropriate valuation technique.

j) Research and Development Costs

In accordance with IAS 38*, Intangible Assets*, research and development costs are charged to the consolidated statements of income (loss), 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; and
- the project is intended to be completed.

The intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. 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 statements of income (loss).

k) Investments in Joint Ventures

The Company has interests in several joint arrangements, whereby joint control of the respective legal entity has been established by contractual agreements that establish joint control over the economic activities of the entity. The Company accounts for its interests in joint ventures using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Company's share of income or loss of a joint venture is shown separately on the consolidated statements of income (loss) and is excluded from income from operations. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in the joint venture. If there is evidence that the investment in the joint venture is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "loss from investments in joint ventures" in the consolidated statements of income (loss).

The Company had the following investments in joint ventures:

	Country of Incorporation	Activity	**December 31 2017 Ownership Interest %**	December 31 2016 Ownership Interest %
Hal Shaw Inc.	USA	Pipe coating	**50**	50
Shaw & Shaw Ltd.	Canada	Pipe coating	**83**	83

As of December 31, 2017, both joint ventures are inactive and do not generate income or expense.

l) Investments in Associates

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 income or loss of the investee, after the date of acquisition.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in the associate. If there is evidence that the investment in the associate is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then

recognizes the loss as "loss from investments in associates" in the consolidated statements of income (loss).

A listing of all associates is presented in note 23.

m) Income Taxes

Income tax expense comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of income (loss), except to the extent that they relate to items recognized in OCI.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet dates 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 income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income taxes are not accounted for if they arise 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 income 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 current income tax 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 to income over the useful life of the asset.

n) Earnings (Loss) Per Share ("EPS")

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

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 and related issue of shares is assumed at the beginning of the period (or at the time of award, 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.

o) Cash and Cash Equivalents

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

p) Short-term Investments

Short-term investments consist of liquid investments with maturity dates on acquisition greater than 90 days and less than one year.

q) Trade and Other Receivables

Trade and other receivables are recorded at amortized cost. Impairment of trade and other receivables is constantly monitored. Impairments are based on observed customer solvency, the aging 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.

r) Inventory

Inventory is measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out 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 inventory 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 inventory is recognized at the time title passes to the Company.

s) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated amortization and any accumulated impairment. Direct costs are included in the asset's carrying amount, such as borrowing costs for long-term construction projects, major inspections and component replacements, 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. For component replacements, the carrying amount of the replaced part is derecognized.

All other repair and maintenance costs are recognized in the consolidated statements of income (loss) during the financial period in which they are incurred. The expected cost for the decommissioning and remediation 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 estimated useful lives commencing when the asset is available for use as follows:

- Land improvements are amortized over the estimated life of each site;
- 3% to 10% on buildings;
- 5% to 50% on machinery and equipment; and
- Project-related facilities are amortized over the estimated project life.

An item of property, plant and equipment is derecognized 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 or the net recoverable amount, and the carrying value of the asset) are included in the consolidated statements of income (loss) in the period 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.

t) Intangible Assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value 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 statements of income (loss) 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 their useful lives 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, which range from 2 years to 15 years. The amortization period and the amortization method are reviewed at least on an annual basis and adjusted prospectively if appropriate.

Intangible Assets with Indefinite Lives

Intangible assets with indefinite 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 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 asset and are recognized in the consolidated statements of income (loss) when the asset is derecognized.

u) Impairment of Non-financial Assets

Assets that have indefinite 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 at the end of each reporting period or 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 of disposal and its value-in-use. For the purposes of assessing impairment, assets are grouped into CGUs at the lowest level for which there are separately identifiable independent cash inflows. Non-financial assets, other than goodwill, that experienced an impairment are reviewed for possible reversal of the impairment whenever reversal indicators exist.

v) 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 or when there is an indicator of impairment. Goodwill is carried at cost less accumulated impairment losses, if any. Impairment losses recognized 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, but are not allocated above the operating segment level at which management monitors the recovery of goodwill.

Gains or losses on the disposal of a CGU or component of a CGU include the carrying amount of goodwill relating to the entity sold.

w) Provisions

A provision is an accrued liability, legal or constructive, resulting from a past event with a high degree of uncertainty with respect to either the timing or amount. Provisions must be probable and should be measurable to be recognized, and 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 finance costs in the consolidated statements of income (loss).

x) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 not transferred by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statements of income (loss) on a straight-line basis over the term of the lease.

3 Accounting Standards Issued but Not Yet Applied

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company has adopted the new standard effective January 1, 2018. During 2017, the Company performed an impact assessment on the classification and measurement of the amendments and determined that there is no material impact of adopting this standard on the consolidated financial statements.

IFRS 9, *Financial Instruments*

In July 2015, the IASB issued the final version of IFRS 9, *Financial Instruments*, which replaces all phases of the financial instruments project, IAS 39, *Financial Instruments*: *Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has adopted the new standard effective January 1, 2018. During 2017, the Company performed an impact assessment of all aspects of IFRS 9 and determined that there is no material impact on its consolidated financial statements on adoption of this standard.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more prescriptive approach to measuring and recognizing revenue. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has adopted the standard using the full retrospective method, effective January 1, 2018.

The Company has performed contract reviews in all divisions to identify the impact of the new standard and concluded that the sale of products will continue to be recognized at a point in time and rendering of services will be recognized over time. The Company has identified minor changes in how revenue is allocated to performance obligations and the resulting timing of revenue recognition from some contracts originating in the Pipeline and Pipe Services segment, primarily related to field joint contracts. Previously, tasks associated with customer contract requirements were recognized into revenue based on task completion outlined in contracts. Under the new standard, some of these tasks are not defined as distinct performance obligations but rather are recognized as part of the primary performance obligation. The Company also concluded that some costs incurred in those contracts meet the definition of costs to fulfill.

We have quantified the impact of the changes described above and the adoption of the standard is not expected to have a material impact on the Company’s 2016 and 2017 net revenue or net income.

The adoption of the standard is not expected to have a material impact on the Company’s consolidated balance sheets. The impact primarily relates to reclassifications among financial statement accounts to align with the new standard. Most notably, contracts in process for which the Company has rendered service in advance of billing will be presented as contract assets as opposed to unbilled revenue asset within accounts receivable, based on amounts unbilled. Additionally, capitalized costs to fulfill contracts will be included within contract assets. Advance payments and deferred revenue will be combined and presented as contract liabilities.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation is effective for periods beginning on or after January 1, 2018 and may be applied either retrospectively or prospectively. The Company adopted this standard on January 1, 2018 and has determined that there is no material impact of adopting this standard on the consolidated financial statements.

IFRS 16, *Leases*

IFRS 16, issued by the IASB in January 2016, supersedes IAS 17, *Leases* (and related interpretations). The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that have also adopted IFRS 15, *Revenue from Contracts with Customers*. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant effect of the new requirements will be an increase in leased assets and financial liabilities. The Company is in the process of initiating data collection and will provide incremental disclosure leading up to its adoption of this standard in its interim and annual consolidated financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

In October 2017, the IASB issued Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify that a company applies IFRS 9, *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective from January 1, 2019, with early application permitted. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments*, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The Company has not yet determined the impact of adopting this standard on the consolidated financial statements.

4 New Accounting Standards Adopted

IAS 12, *Income Taxes*

On January 19, 2016, the IASB issued amendments to IAS 12, *Income Taxes*, relating to the recognition of deferred income tax assets for unrealized losses. The amendments were effective for annual periods beginning on or after January 1, 2017. The Company’s adoption of these amendments did not have a material impact on the consolidated financial statements.

5 Acquisition

Acquisition of Lake Superior Consulting, LLC

On January 5, 2016, the Company completed the acquisition of Lake Superior Consulting, LLC ("Lake Superior") for approximately $37.3 million (US$26.9 million), excluding cash acquired of $5.2 million (US$3.7 million), and inclusive of an earn-out payment of $7.2 million (US$5.2 million) that was paid in the second quarter of 2016. Lake Superior is a Duluth, Minnesota based professional services firm, specializing in pipeline engineering and integrity management services to major pipeline operators. The business operates from facilities in Minnesota, Texas, Nebraska, Kansas and North Dakota, provides pipeline design, engineering, inspection and commissioning as well as integrity management services, and had 2015 revenue

of approximately US$45 million.

In the final purchase price equation, the approximate value of tangible assets acquired and liabilities assumed was $16.9 million and $5.0 million, respectively, and the approximate value of intangible assets acquired and related deferred income tax liabilities assumed was $32.0 million and $6.6 million, respectively.

6 Capital Management

The Company defines capital that it manages as the aggregate of its equity and interest-bearing liabilities. The Company's objectives when managing capital are to ensure that the Company will continue to operate as a going concern and continue to provide products and services to its customers, preserve its ability to finance expansion opportunities as they arise, and provide returns to its shareholders.

The following table sets forth the Company's total managed capital as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Bank indebtedness	**$ –**	$ 2,463
Long-term debt	**246,175**	263,528
Obligations under finance lease	**11,951**	11,969
Equity	**1,044,984**	1,043,040
	$ 1,303,110	$ 1,321,000

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents, bank indebtedness or long-term debt balances. The Company’s capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company has undertaken to maintain certain covenants in respect of its unsecured committed bank credit facility and its long-term debt. The Company is in compliance with these covenants as at December 31, 2017. Please refer to note 29 for further information pertaining to the Company’s debt covenant requirements.

7 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Loans and Receivables, Measured at Amortized Cost		
Loans receivable (note 17)	**$ 4,731**	$ 8,890
Trade accounts receivable, net (note 18)	**179,105**	169,116
Held-to-maturity		
Short-term investments	**–**	1,890
Deposit guarantee	**109**	112
Fair Value Through Profit or Loss		
Cash and cash equivalents	**289,065**	194,824
Derivative financial instruments – assets	**382**	9,393
Derivative financial instruments – liabilities	**1,915**	3,759
Available-for-sale		
Convertible preferred shares	**10,000**	10,000
Other Financial Liabilities, Measured at Amortized Cost		
Bank indebtedness	**–**	2,463
Accounts payable (note 26)	**72,466**	88,980
Deferred purchase consideration	**3,914**	3,684
Long-term debt (note 30)	**246,175**	263,528

Fair Value

IFRS 13, *Fair Value Measurement* provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the three different levels of the fair value hierarchy.

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value of financial assets and liabilities in the fair value hierarchy as at December 31, 2017:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **289,065**	$ **289,065**	$ **–**	$ **–**
Loans receivable	**4,731**	**–**	**4,731**	**–**
Derivative financial instruments	**382**	**–**	**382**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**109**	**–**	**109**	**–**
	$ **304,287**	$ **289,065**	$ **5,222**	$ **10,000**
Liabilities				
Deferred purchase consideration	$ **3,914**	$ **–**	$ **3,914**	$ **–**
Long-term debt	**232,389**	**–**	**232,389**	**–**
Derivative financial instruments	**1,915**	**–**	**1,915**	**–**
	$ **238,218**	$ **–**	$ **238,218**	$ **–**

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates of the underlying contract (contracted rate for a forward contract or an exercise price for an option) to the year-end rates quoted in the market.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of the Company's management. Material risks are monitored and are regularly reported to the Board of Directors.

Market Risk

Foreign Exchange Risk

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are denominated in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency amounts are translated into Canadian dollars. As at December 31, 2017, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $57.1 million, $6.6 million and $3.8 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $65.8 million, $14.3 million and $51.5 million, respectively.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency denominated cash streams and the resulting variability of the Company's income. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange forward contracts for speculative purposes. With the exception of the Company's US dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The following table sets out the notional amounts outstanding under foreign exchange forward contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2017:

(in thousands, except weighted average rate amounts)	
Canadian Dollars Sold for US Dollars	
Less than one year	Cdn$ 4,483
Weighted average rate	0.78
US Dollars Sold for Euros	
Less than one year	US$ 34,656
Weighted average rate	0.83
Australian Dollars Sold for US Dollars	
Less than one year	AUD 1,627
Weighted average rate	0.80
Norwegian Kroner Sold for US Dollars	
Less than one year	NOK 35,336
Weighted average rate	0.11
Euros Sold for US Dollars	
Less than one year	€ 19,141
Weighted average rate	1.15

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.

As at December 31, 2017, the Company had notional amounts of $83.8 million of foreign exchange forward contracts outstanding (2016 – $113.7 million) with the fair value of the Company's net loss from all foreign exchange forward contracts totalling $1.5 million (2016 – $1.1 million net gain).

Net Investment Hedge

The US dollar denominated long-term debt has been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the US dollar as its functional currency. During the year ended December 31, 2017, a gain of $17.4 million (2016 – gain of $18.5 million) on the translation of the long-term debt was transferred to OCI to offset the loss on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2017.

Interest Rate Risk

The following table summarizes the Company's exposure to interest rate risk as at December 31, 2017:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial Assets				
Cash equivalents	$ –	$ –	$ 41,929	$ 41,929
Loans receivable	56	4,675	–	4,731
Convertible preferred shares	10,000	–	–	10,000
	$ 10,056	$ 4,675	$ 41,929	$ 56,660
Financial Liabilities				
Standard letters of credit for performance, bid and surety bonds	$ 71,175	$ –	$ –	$ 71,175
Long-term debt	–	–	246,175	246,175
	$ 71,175	$ –	$ 246,175	$ 317,350

The Company's interest rate risk arises primarily from its floating rate credit facility and the long-term debt and is not currently considered to be material.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, foreign exchange forward contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company is subject to considerable concentration of credit risk since the majority of its customers operate within the global energy industry and are therefore affected to a large extent by the same macroeconomic conditions and risks. The Company manages this credit risk by assessing the creditworthiness of all counterparties, taking into account their financial position, past experience and other factors. Management also establishes and regularly reviews credit limits of counterparties and monitors utilization of those credit limits on an ongoing basis.

For the year ended December 31, 2017, there was one customer in the Pipeline and Pipe Services Segment who generated approximately 22% of total consolidated revenue (2016 – one customer generated approximately 13% of total consolidated revenue). As at December 31, 2017, no customer accounted for more than 10% of the Company's total trade accounts receivable.

The carrying value of accounts receivable is reduced through the use of an allowance for doubtful accounts, and the amount of the loss is recognized in the consolidated statements of income (loss) with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses.

As at December 31, 2017, $8.1 million, or 5%, of trade accounts receivable was more than 90 days overdue, compared to $11.6 million, or 7%, as at December 31, 2016. The Company expects to receive full payment on accounts receivable that are neither past due nor impaired.

The following is an analysis of the change in the allowance for doubtful accounts for the years ended December 31:

(in thousands of Canadian dollars)	**2017**	2016
Balance - Beginning of Year	**$ (4,865)**	$ (5,004)
Bad debts expense	**(910)**	(1,317)
Recovery of amounts previously provided for	**2,015**	265
Bad debts written off	**519**	1,014
Impact of change in foreign exchange rates	**432**	177
Balance - End of Year	**$ (2,809)**	$ (4,865)

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2017, the Company had cash and cash equivalents totalling $289.1 million (2016 – $194.8 million) and had unutilized lines of credit available to use of $389.1 million (2016 – $399.2 million).

The following are the contractual maturities of the Company's purchase commitments and financial liabilities as at December 31, 2017:

(in thousands of Canadian dollars)	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
	$	$	$	$	$	$	$
Purchase commitments	61,084	–	–	–	–	–	61,084
Accounts payable	72,466	–	–	–	–	–	72,466
Deferred purchase consideration	3,914	–	–	–	–	–	3,914
Long-term debt	–	–	77,093	–	–	169,822	246,915
Finance costs on long-term debt	8,760	8,760	7,034	6,463	6,463	13,324	50,804
Obligations under finance lease	1,729	1,420	1,397	1,375	1,375	8,367	15,663
Operating lease commitments	23,877	15,118	12,680	8,893	7,357	10,351	78,276
	171,830	**25,298**	**98,204**	**16,731**	**15,195**	**201,864**	**529,122**

8 Segment Information

The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at December 31, 2017, 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. The aggregation of the reportable segments is based on the customers and markets that the Company services.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following divisions:

- Bredero Shaw, which offers specialized internal anti-corrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines;
- Pipeline and Pipe Services Products, which includes Canusa-CPS that manufactures heat shrinkable sleeves, adhesives, liquid coatings for pipeline joint protection applications; and Dhatec that designs and assembles engineered pipe logistics products and services;
- Shaw Pipeline Services, which provides ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipelines;
- Flexpipe Systems, which manufactures spoolable and stick composite pipe systems and high density polyethylene ("HDPE") pipe used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high pressure capabilities;
- Guardian, which provides a complete range of tubular management services including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing;
- Shawcor Inspection Services, which provides non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services; and
- Lake Superior Consulting, which provides pipeline engineering and integrity management services to major North American pipeline operators.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the Connection Systems division. The Connection Systems division was formed from the 2015 integration of :

- 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 does not meet the definition of a reportable operating segment as defined under IFRS, as it does not earn revenue.

Segment

The following table sets forth information by segment for the years ended December 31:

(in thousands of Canadian dollars)	Pipeline and Pipe Services		Petrochemical and Industrial		Financial and Corporate		Eliminations and Adjustments		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue										
External	**1,373,416**	1,022,845	**193,236**	186,414	**–**	–	**–**	–	**1,566,652**	1,209,259
Inter-segment	**293**	467	**971**	1,004	**–**	–	**(1,264)**	(1,471)	**–**	–
Total Revenue	**1,373,709**	1,023,312	**194,207**	187,418	**–**	–	**(1,264)**	(1,471)	**1,566,652**	1,209,259
Operating expense	**1,140,123**	971,721	**158,211**	153,479	**26,591**	12,303	**(1,264)**	(1,471)	**1,323,661**	1,136,032
Research and development expenses	**8,464**	11,593	**993**	674	**1,079**	972	**–**	–	**10,536**	13,239
Amortization of property, plant and equipment	**72,178**	51,910	**3,178**	3,278	**1,911**	2,067	**–**	–	**77,267**	57,255
Amortization of intangible assets	**19,170**	23,035	–	–	–	–	**–**	–	**19,170**	23,035
Gain on sale of land	**–**	(6,095)	–	–	**(311)**	(398)	**–**	–	**(311)**	(6,493)
Income (Loss) from Operations for CODM	**133,774**	(28,852)	**31,825**	29,987	**(29,270)**	(14,944)	**–**	–	**136,329**	(13,809)
Impairment	**8,073**	157,311	**–**	–	**–**	–	**–**	–	**8,073**	157,311
Income (Loss) from Operations	**125,701**	(186,163)	**31,825**	29,987	**(29,270)**	(14,944)	**–**	–	**128,256**	(171,120)
Income (loss) from investments in associates	**64**	–	**–**	–	**(6,335)**	(3,536)	**–**	–	**(6,271)**	(3,536)
Internal interest (expense) income	**(20,020)**	(21,080)	**(905)**	(1,176)	**21,197**	22,171	**(272)**	85	**–**	–
Interest income	**649**	3,009	**29**	5	**879**	94	**–**	–	**1,557**	3,108
Interest expense and other finance costs	**(1,725)**	(1,550)	**(28)**	(7)	**(16,893)**	(17,439)	**272**	(27)	**(18,374)**	(19,023)
Cost associated with repayment and modification of long-term debt	**–**	–	**–**	–	**–**	(3,009)	**–**	–	**–**	(3,009)
Gain on arbitration award	**–**	19,221	**–**	–	**–**	–	**–**	–	**–**	19,221
Income (Loss) Before Income Taxes	**104,669**	(186,563)	**30,921**	28,809	**(30,422)**	(16,663)	**–**	58	**105,168**	(174,359)
Income Taxes	–	–	–	–	**33,988**	6,207	**–**	–	**33,988**	6,207
Additions to property, plant and equipment, net of disposals	**31,272**	72,706	**4,016**	6,394	**557**	143	**–**	–	**35,845**	79,243
Goodwill	**311,619**	334,088	**17,772**	16,730	**–**	–	**–**	–	**329,391**	350,818
Total assets	**1,826,011**	1,682,578	**120,933**	113,329	**1,272,387**	1,431,746	**(1,521,130)**	(1,449,862)	**1,698,201**	1,777,791
Total liabilities	**886,915**	1,053,464	**(71,292)**	(57,302)	**144,786**	67,786	**(307,192)**	(329,197)	**653,217**	734,751

Geographical Information

The following table sets forth information by geographic region for the years ended December 31; the geographic region is determined by the country or location of operation.

(in thousands of Canadian dollars)							**2017**
	Canada	**USA**	**Latin America**	**EMAR[a]**	**Asia Pacific**	**Eliminations**	**Total**
Revenue							
External	**$ 336,891**	**$ 397,464**	**$ 383,538**	**$ 271,322**	**$ 177,437**	**$ –**	**$ 1,566,652**
Inter-segment	**1,264**	**–**	**–**	**–**	**–**	**(1,264)**	**–**
Total revenue	**$ 338,155**	**$ 397,464**	**$ 383,538**	**$ 271,322**	**$ 177,437**	**$ (1,264)**	**$ 1,566,652**
Non-current assets[b]	**$ 252,995**	**$ 469,427**	**$ 35,123**	**$ 114,063**	**$ 47,215**	**$ –**	**$ 918,823**

(in thousands of Canadian dollars)							2016
	Canada	USA	Latin America	EMAR[a]	Asia Pacific	Eliminations	Total
Revenue							
External	$ 287,992	$ 316,616	$ 56,149	$ 426,554	$ 121,948	$ –	$ 1,209,259
Inter-segment	1,471	–	–	–	–	(1,471)	–
Total revenue	$ 289,463	$ 316,616	$ 56,149	$ 426,554	$ 121,948	$ (1,471)	$ 1,209,259
Non-current assets[b]	$ 273,684	$ 534,766	$ 48,282	$ 113,389	$ 52,325	$ –	$ 1,022,446

(a) Refers to the Europe, Middle East, Africa and Russia geographic region.
(b) Excluding financial instruments, deferred income tax assets and accrued employee future benefit asset.

9 Employee Benefits Expense

The following table sets forth the Company's employee benefits expense for the years ended December 31:

(in thousands of Canadian dollars)	**2017**	2016
Salaries, wages and employee benefits	**$ 504,772**	$ 447,477
Pension (note 15)	**13,776**	13,843
Share-based and other incentive-based compensation (note 14)	**8,050**	6,333
Total	**$ 526,598**	$ 467,653

10 Finance Costs

The following table sets forth the Company's finance costs for the years ended December 31:

(in thousands of Canadian dollars)	**2017**	2016
Interest income on short-term deposits	**$ (1,556)**	$ (3,108)
Interest expense, other	**5,539**	4,739
Interest expense on long-term debt	**12,834**	14,284
Finance Costs, Net	**$ 16,817**	$ 15,915

11 Income Taxes

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

(in thousands of Canadian dollars)	2017	2016
Current Income Taxes		
Based on taxable income of current year	**$ 44,158**	$ 19,569
Adjustment to prior year provision	**(4,063)**	3,034
	40,095	22,603
Deferred Income Taxes		
Reversal of temporary differences	**(6,107)**	(16,396)
	(6,107)	(16,396)
Total Income Tax Expense	**$ 33,988**	$ 6,207

The following table sets forth the Company's income taxes on items recognized in OCI for the years ended December 31:

(in thousands of Canadian dollars)	2017	2016
Income tax expense on actuarial gains and losses on defined benefit plans	**$ 168**	$ 752
Income Tax Expense Charged to OCI	**$ 168**	$ 752

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

	2017	2016
	%	%
Expected income tax expense based on statutory rate	**26.8**	26.8
Tax rate differential on earnings of foreign subsidiaries	**(1.6)**	11.2
Benefit of previously unrecognized tax losses	**(10.8)**	1.6
Deferred tax not recognized	**7.2**	(50.1)
Impact of US tax reform	**0.8**	–
Adjustment to prior year provision	**(0.1)**	(1.5)
Non-deductible amounts	**(0.3)**	12.7
Withholding taxes	**6.4**	(3.0)
State tax and other	**3.9**	(1.3)
Effective Income Tax Rate	**32.3**	(3.6)

The expected income tax rate is computed using the average Canadian federal and provincial income tax rates based on an estimated allocation of income (loss) before income taxes to the various provinces.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act. While the changes are broad and complex, the most significant change to the Company is the reduction in the corporate federal income tax rate from 35% to 21% for its US subsidiaries. The Company has recorded a net impact of $0.8 million expense in its 2017 income tax provision related to the reduction in the US federal income tax rate. The impact reflects a $25.7 million decrease to its US deferred tax assets, partially offset by a $24.9 million decrease to its valuation allowance for certain US deferred tax assets existing at December 31, 2017. The Company has recognized these tax impacts and included these amounts in its consolidated financial statements for the year ended December 31, 2017.

Recognized Deferred Income Tax Assets and Liabilities

The following table sets forth the Company's deferred income tax assets and liabilities as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Deferred Income Tax Assets		
Property, plant and equipment	**$ 4,328**	$ 3,353
Provisions and future expenditures	**25,263**	25,250
Non-capital losses	**28,290**	23,323
	57,881	51,926
Deferred Income Tax Liabilities		
Property, plant and equipment	**(20,010)**	(20,167)
Provisions and future expenditures	**(10,443)**	(10,288)
	(30,453)	(30,455)
Net Deferred Income Tax Asset	**$ 27,428**	$ 21,471

The following table sets forth the Company's deferred income tax assets and liabilities as presented in the consolidated balance sheets as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Deferred income tax assets	**$ 33,876**	$ 28,955
Deferred income tax liabilities	**(6,448)**	(7,484)
	$ 27,428	$ 21,471

The Company has recorded deferred income tax assets of $28.3 million as at December 31, 2017 (2016 – $23.3 million), pertaining to loss carryforwards based on management's financial projections and the relevant income tax legislation in each jurisdiction.

(in thousands of Canadian dollars)	Consolidated Statements of Income (Loss) 2017	2016
Deferred Income Tax Assets		
Property, plant and equipment	**$ (975)**	$ 1,060
Provisions and future expenditures	**(13)**	11,438
Net operating losses	**(4,967)**	(6,008)
Change in deferred income tax assets	**(5,955)**	6,490
Deferred Income Tax Liabilities		
Property, plant and equipment	**(157)**	(12,093)
Provisions and future expenditures	**155**	(3,097)
Change in deferred income tax liabilities	**(2)**	(15,190)
Change in Deferred Income Taxes	**(5,957)**	(8,700)
Deferred income taxes in OCI	**(168)**	(752)
Deferred income taxes acquired through acquisitions	**–**	(6,944)
Other	**18**	–
Deferred Income Tax Recovery in Net Income (Loss)	**$ (6,107)**	$ (16,396)

The Company has not recognized a deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries, associates and joint ventures for the years ended December 31, 2017 and 2016, as the Company has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary difference associated with investments in subsidiaries, associates and joint ventures, for which a deferred income tax liability has not been recognized, aggregated to $95.5 million and $86.3 million for the years ended December 31, 2017 and 2016, respectively.

The Company has net operating losses of $292.9 million for the year ended December 31, 2017 (2016 – losses of $296.0 million) in various jurisdictions for which no deferred income tax asset has been recognized. These losses expire subsequent to the 2019 fiscal year. The Company has capital losses of $48.9 million and $52.1 million for the years ended December 31, 2017 and 2016, respectively, in various jurisdictions for which no deferred income tax asset has been recognized. These capital losses can be carried forward indefinitely.

12 Earnings (Loss) Per Share

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

(in thousands of Canadian dollars, except share and per share amounts)	2017	2016
Net income (loss) used to calculate EPS		
Net income (loss) (attributable to the shareholders of the Company)	**$ 71,307**	$ (180,960)
Weighted average number of shares outstanding – basic (000s)	**69,926**	64,719
Dilutive effect of stock options	**176**	–
Weighted average number of shares outstanding – diluted (000s)	**70,102**	64,719
Basic EPS	**$ 1.02**	$ (2.80)
Diluted EPS	**$ 1.02**	$ (2.80)

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 is shown below for the years ended December 31:

(in thousands of Canadian dollars)		**2017**		2016
Salaries and other short-term incentive compensation and employee benefits	**$**	**3,147**	$	1,806
Post-employment benefits – defined benefit plans		**484**		256
Share-based and other long-term incentive payments		**3,141**		1,823
Directors' fees and other compensation		**447**		2,747
Total	**$**	**7,219**	$	6,632

14 Share-based and Other Incentive-based Compensation

As at December 31, 2017, the Company had the following stock option plan, which was 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 approximately ten years from the date of the grant. Exercises of stock options 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 sales price of the common shares on the day prior to the grant.

On March 3, 2010, the Board approved the amended 2001 Employee Plan (the ″Amended 2001 Employee Plan″). All stock options granted in 2010, and certain options granted thereafter, 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.

A summary of the status of the Company's stock option plan and changes during the year is presented below:

Stock Options without Tandem Share Appreciation Rights

	2017			2016		
	Total Shares		**Weighted Average Exercise Price**	Total Shares		Weighted Average Exercise Price
Balance Outstanding - Beginning of Year	**1,173,080**	**$**	**32.02**	1,043,440	$	32.27
Granted	**163,400**		**37.40**	223,600		27.72
Exercised	**(23,095)**		**26.90**	(93,960)		24.58
Expired	**(118,000)**		**29.83**	–		–
Balance Outstanding - End of Year	**1,195,385**	**$**	**33.06**	1,173,080	$	32.02
Options Exercisable	**739,005**	**$**	**32.34**	724,360	$	31.14

December 31, 2017

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Outstanding as at December 31, 2017**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price**	**Exercisable as at December 31, 2017**		**Weighted Average Exercise Price**
$15.01 to $20.00	**161,320**	**1.00**	**$**	**15.51**	**161,320**	**$**	**15.51**
$25.01 to $30.00	**174,600**	**8.00**		**26.51**	**33,080**		**26.51**
$30.01 to $35.00	**224,000**	**4.80**		**32.69**	**188,000**		**32.78**
$35.01 to $40.00	**342,765**	**6.79**		**37.00**	**131,725**		**36.95**
$40.01 to $45.00	**246,300**	**5.00**		**41.69**	**197,040**		**41.69**
$45.01 to $50.00	**46,400**	**6.00**		**45.73**	**27,840**		**45.73**
	1,195,385	**5.41**	**$**	**33.06**	**739,005**	**$**	**32.34**

December 31, 2016

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Outstanding as at December 31, 2016	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Exercisable as at December 31, 2016		Weighted Average Exercise Price
$15.01 to $20.00	163,720	2.01	$	15.51	163,720	$	15.51
$25.01 to $30.00	307,900	5.57		27.76	131,000		29.45
$30.01 to $35.00	227,100	5.80		32.69	145,160		32.81
$35.01 to $40.00	181,660	5.76		36.65	118,140		37.11
$40.01 to $45.00	246,300	6.01		41.69	147,780		41.69
$45.01 to $50.00	46,400	7.01		45.73	18,560		45.73
	1,173,080	5.30	$	32.02	724,360	$	31.14

The Board approved the granting of 163,400 stock options (2016 – 223,600) during the year ended December 31, 2017 under the Amended 2001 Employee Plan. The total fair value of the stock options granted during the year ended December 31, 2017 was $1.3 million (2016 – $1.4 million) and was calculated using the Black-Scholes option pricing model with the following assumptions:

		2017		2016
Weighted average share price	**$**	**37.40**	$	27.72
Exercise price	**$**	**37.40**	$	27.72
Expected life of options		**6.25**		6.25
Expected stock price volatility		**28.46%**		29.70%
Expected dividend yield		**1.60%**		1.88%
Risk-free interest rate		**1.45%**		1.24%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted under the Amended 2001 Employee Plan will be amortized to compensation expense over the five-year vesting period of the options. The compensation cost from the amortization of granted stock options for the year ended December 31, 2017, included in selling, general and administrative expenses, was $1.3 million (2016 – $1.7 million).

Stock Options with Tandem Share Appreciation Rights

	2017			2016		
	Total Shares		**Weighted Average Fair Value[a]**	Total Shares		Weighted Average Fair Value
Balance Outstanding - Beginning of Year	**367,300**	**$**	**10.23**	277,300	$	11.69
Granted	**44,800**		**8.61**	110,800		6.77
Exercised	**(5,000)**		**10.30**	–		–
Expired	**–**		**–**	(20,800)		11.30
Balance Outstanding - End of Year	**407,100**	**$**	**10.05**	367,300	$	10.23
Options Exercisable	**194,760**	**$**	**10.53**	144,000	$	10.98

(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 December 31, 2017 is $1.5 million (2016 – $2.0 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a 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 existing stock option plan discussed above, the Value Growth Plan ("VGP"), the Employee Share Unit Plan ("ESUP"), and the Performance Incentive Plan ("PIP").

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 at the end of 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 revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. In 2017, management amended the VGP to include a Total Shareholder Return (TSR factor), which modifies the unit value based on Shawcor's share performance compared to its peer group over a three-year 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 VGP liability as at December 31, 2017 is $4.3 million (2016 – $1.7 million).

ESUP

The ESUP authorizes the Board to grant awards of restricted share units ("RSUs") and performance share units ("PSUs") to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively, and become exercisable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs 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/PSU reconciliation for the years ended December 31:

	2017		2016	
	Total Shares	**Weighted Average Grant Date Fair Value[(a)(b)]**	Total Shares	Weighted Average Grant Date Fair Value[(a)]
Balance Outstanding - Beginning of Year	**541,441**	**$ 31.79**	472,849	$ 32.84
Granted	**91,364**	**32.04**	116,333	26.54
Exercised	**(19,951)**	**28.32**	(16,033)	28.87
Cancelled	**(14,817)**	**28.73**	(31,708)	29.61
Balance Outstanding - End of Year	**598,037**	**$ 32.02**	541,441	$ 31.79
RSUs/PSUs Exercisable	**237,895**	**$ 33.32**	159,264	$ 33.77

(a) RSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.
(b) PSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

PIP

On March 2, 2017, the Board approved the PIP under the Company's LTIP. The PIP is a cash-based awards plan, which rewards designated employees over a three-year performance period. Each unit granted to participants notionally represents one common share, and such units vest at the end of the third year from the date they were granted. The value of units at the vesting date is based on the weighted average trading price of the Company's common shares over the five trading days preceding the vesting date. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the PIP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The PIP liability as at December 31, 2017 is $0.1 million (December 31, 2016 – nil).

DSUs

Under the Company's DSU plan, all directors (other than the President and CEO) 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 dollar amount to be paid in DSUs divided by the weighted average trading price of the common 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 common 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 common 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 unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation for the years ended December 31:

	2017			2016		
	Total Shares		**Weighted Average Grant Date Fair Value [(a)]**	Total Shares		Weighted Average Grant Date Fair Value [(a)]
Balance Outstanding - Beginning of Year	**148,427**	**$**	**35.15**	110,597	$	36.37
Granted	**42,619**		**29.36**	37,830		31.58
Balance Outstanding - End of Year	**191,046**	**$**	**33.86**	148,427	$	35.15

(a) DSU awards do not have an exercise price; their weighted average grant date fair value is the weighted average trading price of the common shares over the five trading days preceding the grant date.

The mark-to-market liability for the DSUs as at December 31, 2017 is $5.2 million (2016 – $5.3 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the years ended December 31:

(in thousands of Canadian dollars)		**2017**		2016
Stock option expense	**$**	**1,334**	$	1,659
VGP expense (recovery)		**3,278**		(815)
DSU (recovery) expense		**(81)**		2,215
RSU expense		**3,817**		4,308
SAR (recovery) expense		**(486)**		1,181
PIP expense		**107**		–
Total Share-based and Other Incentive-based Compensation Expense	**$**	**7,969**	$	8,548

15 Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The defined benefit pension plans are in Canada, the UK and Norway and include both flat-dollar plans for hourly employees and final earnings plans for salaried employees. The Company also provides a post-employment life insurance benefit to its Canadian retirees and a post-employment benefit to its hourly and salaried employees in Indonesia.

The Company's funding policy for the Canadian registered pension plans is to fund in accordance with the requirements of applicable pension legislation. The determination of the required funding is made on the basis of periodic actuarial valuations as required under applicable pension legislation. The Company is responsible for the governance of the pension plans, including overseeing investment decisions. The Company has also appointed experienced independent professional experts such as investment managers, actuaries and consultants to assist in the management of the pension plans.

By their nature, defined benefit pension plans carry many types of financial risk. The main financial risks faced by the Company's pension plans can be summarized as follows:

- Longevity risk: the risk that retirees will, on average, collect a pension for a longer period of time than expected based on the mortality assumption;
- Investment risk: the risk that the invested assets of the plan will not yield the assumed rate of return, resulting in insufficient assets to provide for the benefits promised and/or requiring the Company to make additional contributions to fund the deficit;

- Interest rate risk: the risk from changing market interest rates. A decrease in corporate bond yields will increase plan liabilities. This risk is greater to the extent that there is a mismatch between the characteristics of the assets and liabilities;
- Regulatory/legal risk: the risk of regulatory/jurisprudence changes that can alter the benefits promised.

The total cash payments made by the Company to fund the defined benefit pension plans, the post-retirement insurance plans and the post-employment benefit plan during 2017 were $0.1 million (2016 – $2.6 million). The total cash payments made by the Company to fund the defined contribution pension arrangements during 2017 were $9.2 million (2016 – $9.3 million).

The Company measures the fair value of plan assets and the defined benefit obligation as at December 31 of each year. Actuarial valuations for the Company's registered defined benefit pension plans and the Supplementary Executive Retirement Plan ("SERP") for Executives of Shawcor Ltd. are generally required at least every three years. The most recent actuarial valuations of the plans were conducted as of August 1, 2017 (one plan), January 1, 2017 (two plans), December 31, 2016 (four plans) and August 1, 2016 (one plan).

The employee future benefit amounts recognized in the consolidated balance sheets are as follows:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Accrued Employee Future Benefit Asset		
Pension plans (note 24)	**$ 3,827**	$ 9,154
	3,827	9,154
Accrued Employee Future Benefit Liability		
Pension plans	**(15,437)**	(17,471)
Post-employment benefits	**(2,997)**	(3,146)
Post-retirement life insurance	**(118)**	(110)
	(18,552)	(20,727)

The following was the composition of plan assets at the consolidated balance sheet dates, for the Canadian registered defined benefit pension plans:

	December 31 2017	December 31 2016
Investments Quoted in Active Markets:		
Cash and cash equivalents	**7%**	6%
Equity instruments	**61%**	63%
Debt instruments	**32%**	31%
	100%	100%

The following was the composition of invested plan assets at the consolidated balance sheet dates for the SERP:

	December 31 2017	December 31 2016
Investments Quoted in Active Markets:		
Equity instruments[(a)]	**100%**	100%

(a) The amounts in the above table exclude amounts held in the refundable tax account by the Canada Revenue Agency.

Actual Return on Plan Assets

The actual return on plan assets for the years ended December 31, 2017 and 2016 amounted to $7.7 million and $8.1 million, respectively.

Employee Future Benefit Cost

The employee future benefit cost recognized in the consolidated statements of income is as follows:

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Current service costs	**$**	**3,204**	$	3,050
Past service costs and impact of settlements, curtailments and termination benefits		**281**		(198)
Interest cost on defined benefit obligation		**4,388**		4,413
Interest income on plan assets		**(3,942)**		(4,028)
		3,931		3,237
Impact of asset ceiling/minimum funding requirement		**9**		121
Defined benefit cost recognized		**3,940**		3,358
Defined contribution cost recognized		**9,836**		10,485
Employee Future Benefit Cost Recognized[(a)]	**$**	**13,776**	$	13,843

(a) The total amount is included in the consolidated statements of income (loss) in selling, general and administrative expenses.

The employee future benefit income recognized in OCI is as follows:

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Valuation effect	**$**	**51**	$	156
Return on plan assets (excluding amounts included in interest income)		**(3,759)**		(4,096)
Net actuarial losses recognized in the year		**1,435**		4,139
Other changes in asset ceiling/minimum funding requirement not included in net interest cost		**1,744**		(2,760)
Foreign currency exchange rate changes		**(163)**		(283)
Employee Future Benefit Income Recognized in OCI	**$**	**(692)**	$	(2,844)

Changes in the defined benefit obligation are as follows:

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Balance - Beginning of Year	**$**	**136,561**	$	135,052
Valuation effect		**–**		(102)
Employer current service cost		**3,204**		3,050
Net interest cost		**4,388**		4,413
Past service costs and impact of settlements, curtailments and termination benefits		**281**		(505)
Benefit payments		**(6,465)**		(7,008)
Actuarial gains due to changes in demographic assumptions		**(1,094)**		–
Actuarial losses due to changes in economic assumptions		**5,960**		5,625
Experience gains		**(3,431)**		(1,486)
Foreign exchange differences		**(70)**		(2,478)
Balance - End of Year	**$**	**139,334**	$	136,561

Changes in the fair value of the plan assets for the year ended December 31 are as follows:

(in thousands of Canadian dollars)	**2017**	2016
Balance - Beginning of Year	**$ 125,331**	$ 125,048
Valuation effect	**(51)**	(258)
Employer contributions	**102**	2,607
Settlement	**–**	(307)
Benefit payments	**(6,465)**	(7,008)
Interest income on plan assets	**3,942**	4,028
Return on plan assets (excluding amounts included in interest income)	**3,759**	4,096
Foreign exchange differences	**186**	(2,875)
Balance - End of Year	**$ 126,804**	$ 125,331

The following are the principal assumptions for the actuarial valuation of the plans as at December 31:

	2017	2016
Canada		
Defined benefit obligation		
Discount rate	**3.38%**	3.78%
Future salary increase	**3.00%**	3.50%
Future pension increase	**n/a**	n/a
Mortality	**CPM 2014 Private with scale CPM-B**	CPM 2014 Private with scale CPM-B
Benefit cost for the year ended December 31		
Discount rate	**3.78%**	3.90%
Future salary increase	**3.50%**	3.50%
Norway		
Defined benefit obligation		
Discount rate	**2.40%**	2.60%
Future salary increase	**2.50%**	2.50%
Future pension increase	**0.50%**	0.00%
Mortality	**K2013**	K2013
Benefit cost for the year ended December 31		
Discount rate	**2.60%**	2.70%
Future salary increase	**2.50%**	2.50%
United Kingdom		
Defined benefit obligation		
Discount rate	**2.40%**	2.60%
Future salary increase	**n/a**	n/a
Future pension increase	**2.60%**	2.70%
Mortality	**S2PA (projected)**	S1PA (projected)
Benefit cost for the year ended December 31		
Discount rate	**2.60%**	4.00%
Future salary increase	**n/a**	n/a

	2017	2016
Indonesia		
Defined benefit obligation		
Discount rate	**7.20%**	8.50%
Future salary increase	**7% (local), 4.5% (expat)**	10.00% (local), 6.00% (expat)
Future pension increase	**n/a**	n/a
Mortality	**Indonesia's Table 2011**	Indonesia's Table 2011
Benefit cost for the year ended December 31		
Discount rate	**8.50%**	9.00%
Future salary increase	**10.00% (local), 6.00% (expat)**	10.00% (local), 6.00% (expat)

Sensitivity Analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2017 is as shown below:

Significant Assumptions	**Impact of Sensitivity Analysis on Defined Benefit Obligation**	
(in thousands of Canadian dollars)	Change	% Change
Discount rate		
Decrease of 50 basis points	**10,088**	**7.2%**
Increase of 50 basis points	**(9,043)**	**(6.5%)**
Future salary increase		
Decrease of 50 basis points	**(2,130)**	**(1.5%)**
Increase of 50 basis points	**2,351**	**1.7%**
Mortality Assumption – Impact of Life Expectancy being one year longer	**3,994**	**2.9%**

The sensitivity analysis noted above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring during the year ended December 31, 2017.

Other Information

The Company expects to contribute $3.7 million to its defined benefit plans for the year ending December 31, 2018.

The average duration of the defined benefit plans as at December 31, 2017 is 15 years.

16 Cash and Cash Equivalents

The following table sets forth the Company's cash and cash equivalents as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Cash	**$ 247,136**	$ 98,911
Cash equivalents	**41,929**	95,913
Total	**$ 289,065**	$ 194,824

17 Loans Receivable

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

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Current				
Notes receivable	**$**	**2,448**	$	82
Loan receivable		**–**		3,750
		2,448		3,832
Non-current				
Notes receivable[(a)]	**$**	**2,283**	$	5,003
Loan receivable		**–**		55
		2,283		5,058
Total	**$**	**4,731**	$	8,890

(a) Non-current notes receivable relate to a portion of 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. A portion of this amount has been classified as current as semi-annual instalments become due during 2018. As at December 31, 2017, the total amount of the notes receivable was US$3,726 million (December 31, 2016 – US$3,726 million).

18 Accounts Receivable

The following table sets forth the Company’s trade and other receivables as at:

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Trade accounts receivable	**$**	**181,914**	$	173,981
Allowance for doubtful accounts (note 7)		**(2,809)**		(4,865)
Unbilled revenue and other receivables		**80,589**		125,281
	$	**259,694**	$	294,397

The following table sets forth the aging of the Company's trade accounts receivable as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Current	**$ 111,613**	$ 102,978
Past due 1 to 30 days	**48,754**	40,367
Past due 31 to 60 days	**9,070**	12,114
Past due 61 to 90 days	**4,422**	6,960
Past due for more than 90 days	**8,055**	11,562
Total trade accounts receivable	**181,914**	173,981
Less: allowance for doubtful accounts	**(2,809)**	(4,865)
Trade Accounts Receivable, Net	**$ 179,105**	$ 169,116

19 Inventory

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

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Raw materials and supplies	**$ 79,495**	$ 84,238
Work-in-progress	**8,742**	12,906
Finished goods	**49,278**	42,313
Inventory obsolescence	**(22,036)**	(25,972)
	$ 115,479	$ 113,485

During 2017, the Company recorded a decrease of $3.9 million (2016 – increase of $3.2 million) in the provision for inventory obsolescence, due to a reduction of certain excess raw materials.

20 Property, Plant and Equipment

The following table sets forth the Company's property, plant and equipment as at the periods indicated:

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-progress	Total
Cost					
Balance - December 31, 2015	$ 85,325	$ 212,902	$ 836,894	$ 35,864	$ 1,170,985
Exchange differences	(1,070)	(6,343)	(28,745)	(1,346)	(37,504)
Additions	(1,136)	12,447	41,135	35,019	87,465
Acquisitions	3,584	2,233	4,670	–	10,487
Disposals	(3,606)	(9,797)	(32,026)	(3)	(45,432)
Balance - December 31, 2016	83,097	211,442	821,928	69,534	1,186,001
Exchange differences	(23)	(584)	(23,514)	(764)	(24,885)
Additions (Transfers)	967	25,492	58,617	(42,782)	42,294
Disposals	(769)	(731)	(30,214)	(1,225)	(32,939)
Balance - December 31, 2017	**$ 83,272**	**$ 235,619**	**$ 826,817**	**$ 24,763**	**$ 1,170,471**

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-progress	Total
Accumulated Amortization					
Balance - December 31, 2015	$ (20,768)	$ (96,878)	$ (522,475)	$ –	$ (640,121)
Exchange differences	358	(2,065)	21,397	–	19,690
Amortization	(1,702)	(5,380)	(50,173)	–	(57,255)
Disposals	8	6,115	26,517	–	32,640
Balance - December 31, 2016	(22,104)	(98,208)	(524,734)	–	(645,046)
Exchange differences	643	1,851	17,040	–	19,534
Amortization	(1,469)	(22,216)	(53,582)	–	(77,267)
Disposals	632	967	26,117	–	27,716
Balance - December 31, 2017	**$ (22,298)**	**$ (117,606)**	**$ (535,159)**	**$ –**	**$ (675,063)**

(in thousands of Canadian dollars)	Land and Land Improvements	Buildings	Machinery and Equipment	Capital Projects-in-progress	Total
Accumulated Impairment					
Balance - December 31, 2015	$ (2,495)	$ (6,567)	$ (36,247)	$ –	$ (45,309)
Exchange differences	–	(3,130)	6,827	–	3,697
Impairment (note 25)	–	(10,262)	(18,611)	–	(28,873)
Eliminated on disposal	–	–	998	–	998
Balance - December 31, 2016	(2,495)	(19,959)	(47,033)	–	(69,487)
Exchange differences	20	(804)	(483)	–	(1,267)
Impairment (note 25)	(309)	–	(7,764)	–	(8,073)
Eliminated on disposal	–	–	1,200	–	1,200
Balance - December 31, 2017	**$ (2,784)**	**$ (20,763)**	**$ (54,080)**	**$ –**	**$ (77,627)**
Net book value					
As at December 31, 2016	$ 58,498	$ 93,275	$ 250,161	$ 69,534	$ 471,468
As at December 31, 2017	**$ 58,190**	**$ 97,250**	**$ 237,578**	**$ 24,763**	**$ 417,781**

21 Intangible Assets

The following table sets forth the Company's intangible assets as at the periods indicated:

(in thousands of Canadian dollars)	Intellectual Property, with Limited Life[(a)]	Intangible Assets, with Limited Life[(b)]	Intangible Assets, with Indefinite Life[(c)]	Total
Cost				
Balance - December 31, 2015	$ 85,979	$ 265,432	$ 6,990	$ 358,401
Exchange differences	(171)	(4,058)	(149)	(4,378)
Transfers	–	4,566	(4,566)	–
Acquisition of a subsidiary	–	17,510	–	17,510
Balance - December 31, 2016	85,808	283,450	2,275	371,533
Exchange differences	(1,561)	(15,143)	–	(16,704)
Additions	71	–	–	71
Balance - December 31, 2017	**$ 84,318**	**$ 268,307**	**$ 2,275**	**$ 354,900**
Accumulated Amortization				
Balance - December 31, 2015	$ (34,398)	$ (41,636)	$ –	$ (76,034)
Exchange differences	(30)	(1,630)	–	(1,660)
Amortization	(5,521)	(17,514)	–	(23,035)
Balance - December 31, 2016	(39,949)	(60,780)	–	(100,729)
Exchange differences	421	2,185	–	2,606
Amortization	(4,994)	(14,176)	–	(19,170)
Balance - December 31, 2017	**$ (44,522)**	**$ (72,771)**	**$ –**	**$ (117,293)**
Accumulated Impairment				
Balance - December 31, 2015	$ (3,089)	$ (55,980)	$ –	$ (59,069)
Impairment	(7,546)	(9,395)	(675)	(17,616)
Exchange differences	(686)	(526)	–	(1,212)
Balance - December 31, 2016	(11,321)	(65,901)	(675)	(77,897)
Exchange differences	801	4,361	–	5,162
Balance - December 31, 2017	**$ (10,520)**	**$ (61,540)**	**$ (675)**	**$ (72,735)**
Net book value				
As at December 31, 2016	$ 34,538	$ 156,769	$ 1,600	$ 192,907
As at December 31, 2017	**$ 29,276**	**$ 133,996**	**$ 1,600**	**$ 164,872**

(a) Intellectual property, with limited life, represents the cost of certain technology, know-how and patents obtained mainly through acquisitions. The Company amortizes the cost of intellectual property over its estimated useful life, which ranges from 10 years to 15 years.

(b) Intangible assets, with limited life, represent customer relationships, trademarks and non-compete agreements acquired directly or in conjunction with past business combinations. The Company amortizes the cost of intangible assets with limited life over their estimated useful lives, which ranges from 2 to 5 years for trademarks and non-compete agreements, and 10 years to 15 years for customer relationships. This estimate is based on expected customer attrition rates and considers the cyclicality of the global energy market (or the oil & gas market). The net book value of customer relationships as at December 31, 2017 is $131.7 million (2016 – $154.6 million), and is included in intangible assets, with limited life, in the table above.

(c) Intangible assets, with indefinite life, represent the value of brands obtained in previous acquisitions. As the Company has the exclusive right to use and benefit from the brands of the acquired companies for an undefined period, certain acquired brands have been classified as intangible assets with indefinite life. As the cost of intangible assets, with indefinite life, is not amortized, the Company assesses these intangible assets for impairment on an annual basis or when there is an indicator of impairment (please refer to note 25).

22 Goodwill

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

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Gross amount of goodwill	**$ 515,872**	$ 508,312
Accumulated impairment of goodwill	**(165,054)**	(51,242)
Net Balance - Beginning of Year	**350,818**	457,070
Acquisition (note 5)	–	14,458
Impairment (note 25)	–	(110,822)
Foreign exchange	**(21,427)**	(9,888)
Net Balance - End of Year	**$ 329,391**	$ 350,818

The following table summarizes the significant carrying amounts of goodwill by CGU:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Bredero Shaw	**$ 188,209**	$ 206,563
Shawcor Inspection Services	**46,846**	50,140
Flexpipe Systems	**49,730**	49,730
Socotherm Americas (Argentina)	**5,495**	5,881
Pipeline and Pipe Services Products	**8,258**	7,774
DSG-Canusa GmbH	**17,772**	16,730
Lake Superior	**13,081**	14,000
	$ 329,391	$ 350,818

Impairment Testing for Each Cash-generating Unit Containing Goodwill

The Company performs a goodwill impairment test for each specified group of CGUs ("GCGU") that contains goodwill at the Company's annual goodwill impairment testing date of October 31 ("Annual Goodwill Valuation Date"), or when indicators of impairment exist at its GCGUs. At the Annual Goodwill Valuation Date of October 31, 2017, the Company concluded there was no impairment of goodwill in any of its GCGUs, as the recoverable amount for these GCGUs was higher than their respective carrying amounts.

On September 30, 2016, the Company performed impairment tests for its Shawcor Inspection Services Cash-generating Unit ("DCGU") and Shawcor CSI Cash-generating Unit ("CSICGU") and concluded that goodwill was partially impaired for the DCGU and fully impaired for the CSICGU. The impairment of the DCGU goodwill is further discussed in note 25.

Recoverable Amount

The Company determines the recoverable amount for its GCGUs as the higher of Value in Use and the Fair Value Less Cost to Dispose ("FVLCD"). In respect of the goodwill impairment tests in 2017, the FVLCD of each of the GCUs was higher than the respective carrying amount and as such no goodwill impairments have been recorded in 2017. In respect of the 2016 goodwill impairment tests, the FVLCD of each of the GCGUs was higher than its respective carrying amounts, except for the DCGU and CSICGU in 2016 as outlined in note 25. The FVLCD measurement was categorized as a Level 3 fair value based on the inputs in the valuation method used.

FVLCD calculations use post-tax cash flow projections based on three-year financial Business Plans approved by the Board, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCD is calculated net of selling costs that are estimated at 2%.

The FVLCD 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 GCGU and their business environment. The model calculates the FVLCD as the present value of the projected free cash flows and the Terminal Value of each GCGU.

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

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

Projected Cash Flows

The Projected Cash Flows for each GCGU are derived from the most recently completed three-year Business Plan, which is projected out for a future time period of two years based on management's best estimates. Projected Cash Flow is 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 property, plant and equipment. Estimating future income requires judgment, consideration of past and actual performance, as well as expected developments in the GCGU's respective markets and in the overall macroeconomic environment.

Market Assumptions

The forecasted revenue for a GCGU in the Business Plan is based on that GCGU securing an estimated number of projects or sales orders. A change in the number of estimated projects or sales orders to be secured by a GCGU can have a material impact on the projected future cash flows for that particular GCGU. The gross margin for each GCGU 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 GCGU.

Discount Rate

The discount rate represents the current market assessment of the risks specific to each GCGU, 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 GCGUs 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. The GCGU 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 valuations of the CGUs:

(in thousands of Canadian dollars)	**October 31 2017**	October 31 2016
Bredero Shaw	**11%**	11%
Shawcor Inspection Services	**12%**	12%
Flexpipe Systems	**12%**	12%
Socotherm Americas (Argentina)	**18%**	18%
DSG-Canusa GmbH	**12%**	12%
Pipeline and Pipe Services Products	**14%**	14%
Lake Superior	**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% was used (for all goodwill impairment tests) reflecting terminal growth rate expectation of long-term growth in energy infrastructure investment; this figure also reflects the Company’s best estimate of the economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions

With regard to the assessment of FVLCD of all of the Company's GCGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of each CGU to materially exceed its recoverable amount, as estimated by the GCGU's FVLCD.

23 Investments in Associates

On February 20, 2014, Shawcor completed an equity investment in Zedi Inc. ("Zedi"), a Calgary, Alberta based company engaged in end-to-end solutions for production operations management in the oil and gas industry. Zedi has developed and deployed remote field monitoring and related data management solutions for the optimization of oil and gas well production. Shawcor's equity investment in Zedi consists of an approximately 38% common share interest, which is being accounted for using equity accounting, and an investment of $10.0 million in convertible preferred shares, which is accounted for as an available-for-sale investment and classified in other assets on the Company's consolidated balance sheets.

On August 29, 2014, the Company completed an equity investment in Power Feed-Thru Systems and Connectors, LLC ("PFT"), a Houston, Texas, US-based company engaged in designing and assembling of electric feed-thru connector systems specifically for artificial lift installations in the global oil and gas market. Its products are used in oil wells equipped with Electric Submersible Pumps to connect the down-hole oil pump with a surface power supply. Shawcor's equity investment in PFT consists of an approximate 30% common share interest, which is being accounted for using equity accounting.

24 Other Assets

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

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Long-term prepaid expenses	**$ 6,779**	$ 7,253
Convertible preferred shares (note 23)	**10,000**	10,000
Accrued employee future benefit asset (note 15)	**3,827**	9,154
	$ 20,606	$ 26,407

25 Impairment

2017

Impairment Testing for Bredero Shaw

Regina Plants

The Company recorded a $8.1 million impairment charge on building, machinery and equipment at the Regina plant for the year ended December 31, 2017. The Company performed an asset impairment test for its Regina plant as at December 31, 2017. This impairment test was determined to be necessary as a result of two factors: i) uncertainties in securing future pipe coating project work to sustain operations at current levels as a result of delays in projects being sanctioned and awarded in Western Canada; ii) the competition from additional pipe coaters in the region. The Company adjusted its forecast to reflect these uncertainties, thereby impacting the estimate of future cash flows for the plant.

Due to the value-in-use ("VIU") being lower than the carrying amount of the Regina plant, management assessed the method of allocating the impairment charge to the individual assets. Individual assets were analyzed to ensure that the allocation of the impairment charge to each asset did not reduce its carrying value below the greater of its FVLCD and VIU. The property, plant and equipment assets impaired were written down to their FVLCD. The FVLCD of the building, machinery and equipment was based on management's internal specialist assessments of secondary market. The fair value measurements are categorized as Level 3 fair value based on the inputs in the valuation method used.

2016

The following table sets forth the Company's impairment charges for the year ended December 31, 2016:

(in thousands of Canadian dollars)		Socotherm		Shawcor Inspection Services		Other[(a)]		Total
Impairment of property, plant and equipment	$	26,103	$	–	$	2,770	$	28,873
Impairment of intangible assets		15,220		–		2,396		17,616
Impairment of goodwill		–		108,942		1,880		110,822
Total Impairment	$	41,323	$	108,942	$	7,046	$	157,311
Deferred income tax related to above		(2,985)		–		–		(2,985)
Net Impairment	$	38,338	$	108,942	$	7,046	$	154,326

(a) These amounts include impairment charges of $1.4 million pertaining to the machinery and equipment of a Bredero Shaw business unit and other impairment charges for Shawcor CSI totalling $5.6 million, both of which are in the Pipeline and Pipe Services segment.

Impairment Testing for the Socotherm S.p.A. Italian Plants

The Company performed an asset impairment test for its Socotherm S.p.A Italian plants as at September 30, 2016. This impairment test was done for the plants at the Socotherm S.p.A group level, and includes the carrying value of the related intangible assets, as the cash flows from the plants are not largely independent. This impairment test was determined to be necessary as a result of uncertainties in securing future pipe coating project work to sustain operations at current levels as a result of reductions in oil and gas infrastructure spending by international oil companies and in-country pipe mills. The Company adjusted its forecast to reflect these uncertainties, thereby impacting the estimate of future cash flows for the plants.

Due to the VIU being lower than the carrying amount of the Socotherm S.p.A. Italian plants, management assessed the method of allocating the impairment charge to the individual assets. Individual assets were analyzed to ensure that the allocation of the impairment charge to each asset did not reduce its carrying value below the greater of its FVLCD and VIU. The property, plant and equipment assets impaired were written down to their FVLCD. The FVLCD of land and buildings were based on market assessment appraisals provided by an independent valuator. The FVLCD of machinery and equipment was based on management's internal specialist assessments of secondary market. The fair value measurements are categorized as Level 3 fair value based on the inputs in the valuation method used. The allocation of impairment to intangible assets ultimately resulted in the value of these assets being written down to nil.

Impairment Testing for the Shawcor Inspection Services Cash-Generating Unit

The Company's policies regarding calculation of the recoverable amount for its GCGUs is described in note 22, as part of the discussion pertaining to impairment testing for goodwill.

The Company performed an impairment test for its DCGU as at September 30, 2016. This impairment was assessed due to the decline in the rig count in the US and uncertainties regarding future oil and gas well drilling and the associated demand for non-destructive testing of new oil and gas gathering line pipelines. The Company has adjusted its forecast to reflect reduced activity levels, thereby impacting the future cash flows for its DCGU.

For the DCGU impairment test, the FVLCD was higher than its VIU. The carrying value of the DCGU goodwill was $157.8 million. As a result of the assessed impairment, the carrying value of goodwill was reduced to $48.9 million as at September 30, 2016. A discount rate of 12% had been applied to the DCGU impairment test as at September 30, 2016, along with a terminal value growth rate of 2.5%, reflecting a conservative expectation of long-term growth in energy infrastructure investment.

A one percent increase in the discount rate would have caused the fair value of the DCGU to decrease by $16.5 million. A one percent decrease in the terminal value growth rate would have decreased the fair value of the DCGU by $4.7 million.

26 Accounts Payable and Accrued Liabilities

The following table sets forth the Company's accounts payable and accrued liabilities as at:

(in thousands of Canadian dollars)		**December 31 2017**		December 31 2016
Accounts payable	**$**	**72,466**	$	88,980
Accrued liabilities		**128,551**		123,559
	$	**201,017**	$	212,539

27 Provisions

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

(in thousands of Canadian dollars)	Decommissioning Liabilities	Warranties	Other Provisions	Total
Balance - December 31, 2015	$ 34,361	$ 4,332	$ 30,944	$ 69,637
Provision adjustments	179	6,024	3,694	9,897
Acquisition adjustment	(1,612)	–	–	(1,612)
Settlement of liabilities	(291)	(3,406)	(12,882)	(16,579)
Accretion expense	452	–	(7)	445
Foreign exchange differences	(1,824)	(182)	(1,815)	(3,821)
Gain on settlement	(1,559)	–	–	(1,559)
Balance - December 31, 2016	29,706	6,768	19,934	56,408
Provision adjustments	104	(521)	12,903	12,486
Settlement of liabilities	(765)	(175)	(3,616)	(4,556)
Accretion expense	465	–	263	728
Foreign exchange differences	(517)	(98)	(728)	(1,343)
Loss on settlement	193	–	–	193
Balance - December 31, 2017	**$ 29,186**	**$ 5,974**	**$ 28,756**	**$ 63,916**

	Decommissioning Liabilities	Warranties	Other Provisions	Total
December 31, 2016				
Current	$ 5,904	$ 6,768	$ 8,432	$ 21,104
Non-current	23,802	–	11,502	35,304
	$ 29,706	$ 6,768	$ 19,934	$ 56,408
December 31, 2017				
Current	**$ 5,302**	**$ 5,974**	**$ 16,085**	**$ 27,361**
Non-current	**23,884**	**–**	**12,671**	**36,555**
	$ 29,186	**$ 5,974**	**$ 28,756**	**$ 63,916**

Decommissioning Liabilities

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42 million as at December 31, 2017. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0% and 18%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

The Company expects the following cash outflows over the next five years and thereafter for remediating its decommissioning liability obligations.

(in thousands of Canadian dollars)	
2018	**5,302**
2019	**3,198**
2020	**5,433**
2021	**4,777**
2022	**489**
Thereafter	**22,831**
	$ 42,030

Warranties

Project specific warranties are provided by various divisions in the normal course of business that are usually valid for a term of less than one year.

Other Provisions

The other provisions are comprised of current and non-current employee related provisions (required by local law in international jurisdictions), provisions for lawsuits and other accrued liabilities related to operations for which there is a higher degree of uncertainty with respect to either the amount or timing of the underlying payment.

28 Other Liabilities

The following table sets forth the Company's other liabilities as at the periods indicated:

(in thousands of Canadian dollars)	Deferred Purchase Consideration	Incentive-based Compensation (note 14)	Other Liabilities	Total
Balance - December 31, 2015	$ 3,939	$ 20,517	$ –	$ 24,456
Adjustments	–	2,593	689	3,282
Business acquisition	7,210	–	–	7,210
Settlement of liabilities	(7,210)	(14,120)	(107)	(21,437)
Foreign exchange differences	(255)	16	7	(232)
Balance - December 31, 2016	3,684	9,006	589	13,279
Adjustments	–	2,979	(62)	2,917
Settlement of liabilities	–	(808)	(27)	(835)
Foreign exchange differences	230	(19)	(59)	152
Balance - December 31, 2017	**$ 3,914**	**$ 11,158**	**$ 441**	**$ 15,513**
December 31, 2016				
Current	$ 3,684	$ 8,359	$ –	$ 12,043
Non-current	–	647	589	1,236
	$ 3,684	$ 9,006	$ 589	$ 13,279
December 31, 2017				
Current	**$ 3,914**	**$ 7,934**	**$ –**	**$ 11,848**
Non-current	**–**	**3,224**	**441**	**3,665**
	$ 3,914	**$ 11,158**	**$ 441**	**$ 15,513**

29 Credit Facilities

The following table sets forth the Company's total credit facilities as at:

(in thousands of Canadian dollars)	**December 31 2017**	December 31 2016
Bank indebtedness	**$ –**	$ 2,463
Standard letters of credit for performance, bid and surety bonds (note 31)	**71,175**	90,898
Total utilized credit facilities	**71,175**	93,361
Total available credit facilities[(a)]	**460,251**	492,610
Unutilized Credit Facilities	**$ 389,076**	$ 399,249

(a) The Company guarantees the bank credit facilities of its subsidiaries.

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by US$100 million from US$150 million to US$250 million, with an option to increase the credit limit to US$400 million with the consent of the lenders. On June 16, 2014, the option to increase the credit limit to US$400 million was exercised with the consent of the lenders and a new option to increase the credit limit to US$550 million with the consent of the lenders was added. The Company pays a floating interest rate on this Credit Facility that is a function of the Company's Total Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is US$50 million. During 2016, the Company and the lenders agreed to certain amendments to the Credit Facility. These amendments are described below in the section captioned "Amendments to Senior Notes Agreement and Credit Facility".

Amendments to Senior Notes Agreement and Credit Facility

On May 10, 2016, the Company entered into amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility. Subsequently, on December 6, 2016, the Company entered into further amending agreements with the holders of its Senior Notes and the syndicate of lenders under the Credit Facility, with the latest principal amendments as follows:

a) an extension of the term of the Credit Facility from March 20, 2018 to December 6, 2019 and a reduction in the size of the Credit Facility from US$325 million to US$317 million;

b) the elimination of the requirement for the Company to meet a Total Debt to EBITDA covenant (the "Leverage Ratio") for the quarter ending December 31, 2016 ("Q4 2016");

c) the creation of a minimum EBITDA covenant of Cdn$15 million in respect of Q4 2016;

d) an increase in the maximum Leverage Ratio to 3.50 to 1.00 and 3.25 to 1.00 for the quarters ending March 31, 2017 ("Q1 2017") and June 30, 2017 ("Q2 2017"), respectively; with EBITDA for Q1 2017 to be calculated by multiplying the EBITDA for such quarter by 4 and with EBITDA for Q2 2017 to be calculated by adding the EBITDA for Q1 2017 and the EBITDA for Q2 2017 and then multiplying such sum by 2;

e) a decrease in the minimum Interest Coverage Ratio/Fixed Charge Ratio (currently 2.5 to 1.0) to 1.5 to 1.0 for Q4 2016;

f) an amendment to the method of calculation of the Interest Coverage Ratio/Fixed Charge Ratio for Q1 2017 and Q2 2017 such that each of the components of such ratio (EBITDA, interest expense and rental payments) is calculated on a basis similar to the calculation of the Leverage Ratio for such quarters; and

g) increased interest rates and standby and other fees payable to Senior Note holders and under the Credit Facility during Q4 2016 and in any period when the Company is permitted an increased Leverage Ratio.

For the fourth quarter of 2017, the Company was required to maintain an Interest Coverage Ratio of more than 2.50 to 1.00 and a Leverage Ratio of less than 3.00 to 1.00.

The Company was in compliance with the covenants as at December 31, 2017 and 2016.

30 Long-term Debt

On March 20, 2013, the Company issued Senior Notes for total gross proceeds of US$350 million (Cdn$358.3 million at the March 20, 2013 foreign exchange rate) to institutional investors. The principal balances outstanding at December 31, 2017 and 2016 are as follows:

(in millions of Canadian dollars)	Due Date	Interest Rate	**December 31 2017 (US$)**	December 31 2016 (US$)	**December 31 2017 (Cdn$)**	December 31 2016 (Cdn$)
Senior Notes, Series A	March 31, 2020	2.98%	**62**	62	**77**	83
Senior Notes, Series B	March 31, 2023	3.67%	**57**	57	**71**	76
Senior Notes, Series C	March 31, 2025	3.82%	**52**	52	**66**	70
Senior Notes, Series D	March 31, 2028	4.07%	**26**	26	**33**	35
			197	197	**247**	264

Repurchase of Senior Notes

In the second quarter of 2016, the Company utilized a portion of its existing cash balances to repurchase approximately US$78 million of its Senior Notes at a purchase price of approximately US$79 million ($101.8 million at the then current exchange rate) plus accrued interest.

In the fourth quarter of 2016, the Company utilized a portion of its $172.6 million public offering proceeds to repurchase US$75 million of its Senior Notes at a purchase price of US$75 million ($100.7 million at the then current exchange rate) plus accrued interest.

The total long-term debt balance as at December 31, 2017 is $246.2 million (US$196.8 million) (2016 – $263.5 million (US$196.8 million)). The long-term debt has been designated as a hedge of the Company's net investment in its US dollar functional currency subsidiary as described in note 7.

In respect of the long-term debt, the Company is required to maintain certain covenants that are consistent with the debt covenants described in note 29 for the Credit Facility. The Company was in compliance with these covenants as at December 31, 2017 and December 31, 2016.

31 Leases, Commitments and Contingencies

a) Operating Leases

The Company has entered into various commercial leases for motor vehicles, machinery, equipment, and manufacturing sites. These leases have a life of one to sixteen years.

The following table presents the future minimum rental payments payable under the operating leases as at:

(in thousands of Canadian dollars)		**December 31 2017**
Within one year	**$**	**23,877**
After one year but not more than five years		**44,048**
More than five years		**10,351**
	$	**78,276**

The lease expenditure charged to the consolidated statements of income (loss) during the year was $34.1 million (2016 – $39.2 million).

b) **Finance Leases**

The Company has finance leases and purchase commitments in place for various items of property, plant and machinery. These leases have renewal options 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 minimum lease payments:

(in thousands of Canadian dollars)	December 31, 2017			
		Minimum Payments		**Present Value of Payments**
Within one year	$	**1,729**	$	**1,111**
After one year but not more than five years		**5,567**		**3,726**
After more than five years		**8,367**		**7,114**
Total minimum lease payments		**15,663**		**11,951**
Less: Amounts representing interest charges	$	**(3,712)**	$	–
Present Value of Minimum Lease Payments	$	**11,951**	$	**11,951**

c) **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.

In the fourth quarter of 2016, the Company recorded a gain of $19.2 million resulting from an arbitration award in favour of the Company.

d) **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 that 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 utilizes the Credit Facility to support its bonds. The Company has utilized total credit facilities of $71.2 million as at December 31, 2017 (2016 – $90.9 million for support of its bonds). In addition, as at December 31, 2017, the Company had $48.4 million of outstanding surety bonds through insurance companies (2016 – $107.2 million).

32 Share Capital

There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share. All shares have been issued and fully paid and have no par value.

On December 23, 2016, the Company issued 5,261,250 common shares, including 686,250 common shares pursuant to the full exercise of the over-allotment option, at a price of $32.80 per common share for aggregate gross proceeds of $172.6 million (net proceeds of $165.3 million, net of share issuance costs of $7.3 million).

The following table sets forth the changes in the Company's shares for the years ended December 31:

(all dollar amounts in thousands of Canadian dollars)		**2017**
Number of shares		
Balance, December 31, 2016		69,892,544
Issued on exercise of stock options		28,095
Issued on exercise of RSUs		19,951
Balance - December 31, 2017		**69,940,590**
Stated value		
Balance, December 31, 2016	**$**	703,316
Issued on exercise of stock options		761
Compensation cost on exercised options		278
Compensation cost on exercised RSUs		601
Balance - December 31, 2017	**$**	**704,956**

(all dollar amounts in thousands of Canadian dollars)		2016
Number of shares		
Balance, December 31, 2015		64,521,301
Issued through public offering		5,261,250
Issued on exercise of stock options		93,960
Issued on exercise of RSUs		16,033
Balance - December 31, 2016		69,892,544
Stated value		
Balance, December 31, 2015	$	534,484
Issued through public offering (net of commissions and share issuance costs of $7.3 million)		165,295
Issued on exercise of stock options		2,311
Compensation cost on exercised options		764
Compensation cost on exercised RSUs		462
Balance - December 31, 2016	$	703,316

Dividends declared and paid were as follows:

(in thousands of Canadian dollars, except per share amounts)		**2017**		2016
Dividends declared and paid to shareholders	**$**	**41,946**	$	38,708
Dividends declared and paid per share	**$**	**0.600**	$	0.600

33 Consolidated Financial Statements

The comparative consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the 2017 consolidated financial statements in accordance with IFRS.