

# Interim Financial Report for the Period Ended September 24, 2011

## Q3 2011

### Revenue from continuing operations

(in millions of Canadian dollars)

	CGAAP			IFRS	
	2007	2008	2009	2010	2011
March	42.6	42.8	39.9	38.5	<b>41.0</b>
June	48.9	51.3	48.4	51.0	<b>50.2</b>
September	56.1	70.4	59.9	55.4	<b>67.2</b>
December	55.0	63.8	66.8	61.1	
Year	202.6	228.3	215.0	206.0	

### Profit (loss) attributable to owners of the Company (Net income(loss)) \*

(in millions of Canadian dollars)

	CGAAP			IFRS	
	2007	2008	2009	2010	2011
March	0.5	0.9	(1.1)	0.8	<b>0.1</b>
June	2.2	2.0	0.6	2.7	<b>1.3</b>
September	4.5	5.4	4.1	5.3	<b>13.2**</b>
December	3.9	5.1	4.5	5.6	
Year	11.1	13.4	8.1	14.4	

### Total earnings (loss) per share \*\*\*

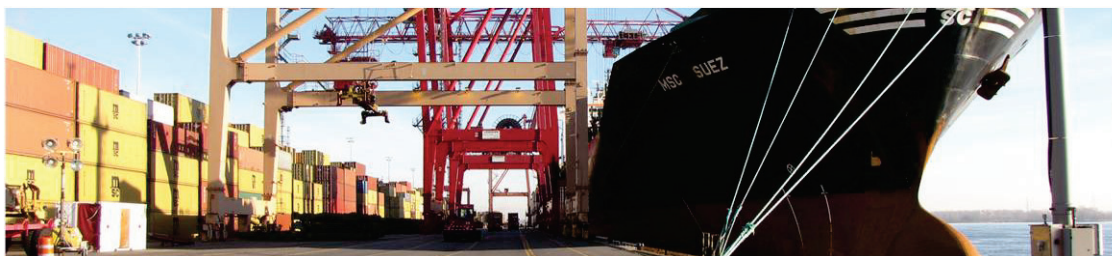
(in Canadian dollars)

	CGAAP			IFRS	
	2007	2008	2009	2010	2011
March	0.08	0.14	(0.17)	0.11	<b>0.01</b>
June	0.33	0.31	0.09	0.41	<b>0.20</b>
September	0.67	0.81	0.62	0.81	<b>2.02**</b>
December	0.58	0.76	0.68	0.86	
Year	1.66	2.01	1.22	2.19	

\* Includes continuing and discontinued operations for years 2007 and 2008

\*\* Includes a share of gain on partial disposal of a subsidiary of an equity accounted investment

\*\*\* For earnings per share per class of share, please refer to the "Selected Quarterly Financial Information" table on page 4



## To our Shareholders

During the third quarter of 2011, Logistec achieved a solid 21.3% growth in its consolidated revenue which totalled \$67.2 million, compared to \$55.4 million for the equivalent period of 2010. The marine services segment's revenue grew by 5.7% to \$33.0 million for the third quarter of 2011, compared to \$31.2 million for the third quarter of 2010. This growth is due to intensified revenue in the United States as well as higher volumes of bulk cargo. The environmental services segment's revenue rose 41.4% to \$34.2 million, up from \$24.2 million for the third quarter of 2010. Sanexen's excellent results were driven by the increase in site remediation activities.

Logistec achieved a record profit for the period in the third quarter of 2011. The consolidated profit attributable to owners of the Company totalled \$13.2 million, which works out to basic and diluted earnings per share of \$1.94 attributable to Class A common shares ("Class A shares") and of \$2.13 attributable to Class B subordinate voting shares ("Class B shares"). In comparison with the equivalent period of 2010, this represents a \$7.9 million increase in the consolidated profit attributable to owners of the Company which amounted to \$5.3 million in 2010, for basic and diluted earnings per share of \$0.78 attributable to Class A shares and of \$0.84 attributable to Class B shares. The consolidated profit attributable to owners of the Company for the third quarter of 2011 includes a \$6.2 million share of gain on the sale of part of our shares in a subsidiary of an equity accounted investment. Without this transaction, the consolidated profit attributable to owners of the Company would nevertheless have reached a record high of \$7.0 million. Including this gain, the marine services segment posted a pre-tax profit of \$11.1 million for the third quarter of 2011, up by \$6.9 million over \$4.2 million for the third quarter of 2010. The environmental services segment recorded a pre-tax profit of \$5.3 million for the third quarter of 2011, up by \$2.3 million over \$3.0 million for the same period in 2010.

For the first nine months of 2011, consolidated revenue grew by 9.3% to \$158.4 million, up from \$144.9 million in 2010. The 2011 year-to-date consolidated profit attributable to owners of the Company increased by \$5.8 million to \$14.6 million, which works out to basic and diluted earnings per share of \$2.15 attributable to Class A shares and of \$2.35 attributable to Class B shares, compared to \$8.8 million for the same period in 2010, for basic and diluted earnings per share of \$1.28 attributable to Class A shares and of \$1.40 attributable to Class B shares.

## Outlook

The business environment remains uncertain, considering the stagnant U.S. economy, rising protectionism in parts of the world, the slowing growth of the Chinese economy and the sovereign debt crisis in Europe. Despite these unfavourable factors, we nevertheless achieved a satisfactory improvement in our third quarter results. Regarding the fourth quarter of 2011, we believe Sanexen's site remediation activities will continue to drive our environmental services segment, whereas our marine services segment should maintain a level of activity similar to the third quarter.

From a broader perspective, we remain focused on our development plan over the medium and long term and we are confident that we have the human and financial resources to implement it and thereby continue to create value for our shareholders.

*(signed) David M. Mann*  
David M. Mann  
Chairman of the Board

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

November 3, 2011

## Introduction

This management's discussion and analysis ("MD&A") of operating results deals with Logistec Corporation's operations, results and financial position for the three-month and nine-month periods ended September 24, 2011, and September 25, 2010. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the third financial statements issued under IFRS by the Company. Prior to 2011, issued financial statements and MD&A reports were prepared in accordance with Canadian generally accepted accounting principles ("CGAAP").

Comparative figures at transition date (January 1, 2010), as well as at September 25, 2010, and December 31, 2010, were converted to IFRS and are presented as such in the condensed consolidated interim financial statements. A more detailed discussion of the impact of the conversion from CGAAP to IFRS can be found later on in this report. The new standards as applied by the Company can be found in Note 3 of the notes to Q1 2011 condensed consolidated interim financial statements. Furthermore, descriptions of the detailed reconciliation tables between previously reported CGAAP financial statements and IFRS comparative figures can be found in Note 12 of the notes to Q3 2011 condensed consolidated interim financial statements. In this report, unless indicated otherwise, all dollar amounts are expressed in Canadian dollars.

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

Logistec Corporation provides specialized cargo handling and other services to a wide variety of marine, industrial and municipal customers. The Company has cargo-handling facilities in 23 ports in Eastern Canada and on the U.S. East Coast; marine transportation services geared primarily to the Arctic coastal trade; short-line rail transportation services; and agency services to foreign shipowners and operators serving the Canadian market. The Company is widely diversified on the basis of cargo type and port location with a good balance between import and export activities.

Furthermore, the Company, through its subsidiary Sanexen Environmental Services Inc. ("Sanexen"), operates in the environmental sector where it provides services for the trenchless structural rehabilitation of underground water mains, management of PCBs, site remediation, risk assessment, and woven-hose manufacturing.

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

The Company's largest shareholder is Sumanic Investments Inc.

## Selected Quarterly Financial Information

(in thousands of Canadian dollars, except per share amounts)

	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$

### 2011 (prepared in accordance with IFRS)

Revenue	41,042	50,171	67,202		
Profit attributable to owners of the Company	77	1,329	13,202 *		

Basic and diluted earnings per Class A Common Share **	0.01	0.20	1.94 *		
Basic and diluted earnings per Class B Subordinate Voting Share ***	0.01	0.21	2.13 *		
Total basic and diluted earnings per share	0.01	0.20	2.02 *		

### 2010 (prepared in accordance with IFRS)

Revenue	38,545	50,960	55,400	61,129	206,034
Profit attributable to owners of the Company	771	2,717	5,322	5,610	14,420

Basic and diluted earnings per Class A share	0.11	0.39	0.78	0.82	2.10
Basic and diluted earnings per Class B share	0.12	0.44	0.84	0.90	2.30
Total basic and diluted earnings per share	0.11	0.41	0.81	0.86	2.19

### 2009 (prepared in accordance with CGAAP)

Revenue	39,918	48,432	59,906	66,745	215,001
Total net income (loss)	(1,129)	601	4,146	4,515	8,133

Total basic and diluted earnings (loss) per share	(0.17)	0.09	0.62	0.68	1.22
---	--------	------	------	------	------

\* Includes a share of gain on partial disposal of a subsidiary of an equity accounted investment

\*\* Class A Common Share ("Class A share")

\*\*\* Class B Subordinate Voting Share ("Class B share")

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

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

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

## Results

Consolidated revenue totalled \$67.2 million in the third quarter of 2011, up by \$11.8 million or 21.3% over \$55.4 million for the same period in 2010.

The marine services segment's revenue grew by \$1.8 million in the third quarter of 2011, based on revenue of \$33.0 million, compared to \$31.2 million in the third quarter of 2010. The increase came mainly from bulk activities and from operations in the United States. In the third quarter of 2011, the marine services segment's revenue was adversely affected by \$0.4 million, when compared to the same quarter last year, due to the depreciation of the Canadian dollar against the U.S. dollar. On a year-to-date basis, the negative impact amounted to \$1.8 million.

The environmental services segment's revenue was up by \$10.0 million to \$34.2 million in the third quarter of 2011, compared to \$24.2 million for the third quarter of 2010. We again posted a strong performance of site remediation services. However, municipal budget constraints, particularly in the United States, affected revenue for both Niedner hoses and Aqua-Pipe® services, and partially offset this good performance.

For the nine-month period ended September 24, 2011, consolidated revenue totalled \$158.4 million, compared to \$144.9 million for the same period in 2010, an increase of \$13.5 million. The marine services segment's revenue reached \$95.8 million for the first nine months of 2011, up by \$1.9 million over \$93.9 million for the same period last year. The environmental services segment's revenue reached \$62.6 million, an increase of \$11.6 million over the \$51.0 million recorded for the same period in 2010.

Explanations for the variation of revenue in the marine services and environmental services segments for the first nine months of 2011 over the same period in 2010 are essentially the same as for the third quarter of 2011 over 2010, as discussed previously.

Employee benefits expense increased by \$3.1 million to \$31.5 million in the third quarter of 2011, compared to \$28.4 million for the same quarter of 2010. This variation is attributable to higher labour costs related to major site remediation contracts, as well as greater activity at some ports for both bulk and break-bulk operations, and is in line with our sales growth. For the first nine months of 2011, employee benefits expense reached \$78.4 million, an increase of \$5.7 million or 7.8% over the expense of \$72.8 million recorded for the same period last year. Part of the increase is explained by the overall increase in revenue, as employee benefits expense is in large part a variable expense, but it was particularly impacted by the previously mentioned high level of activity at Sanexen and at some ports. Also included in this line item is the compensation of key management personnel, for which details can be found in Note 9 of the notes to Q3 2011 condensed consolidated interim financial statements. For the nine months ended September 24, 2011, this line item totalled \$4.2 million, up \$1.7 million when compared to \$2.5 million for the same period in 2010. This increase stemmed from the addition in 2011 of four vice-presidents to the group of individuals considered as key management personnel following the Company's reorganisation of the stevedoring division's management, as well as the recording of a charge to accrue for the cost of the long-term incentive plan for executives of the Company.

Equipment and supplies expense amounted to \$19.1 million in the third quarter of 2011, an increase of \$6.2 million or 48.5% compared to \$12.9 million for the third quarter of 2010. This increase came primarily from the environmental services segment and is in line with the 41.6% revenue growth over the third quarter of 2010. The balance of the increase is related to the aforementioned greater activity. Equipment and supplies expense for the first nine months of 2011 totalled \$42.2 million, an increase of \$7.7 million or 22.5% over the same expense for the first nine months of 2010, due mainly to the execution of major contracts with significant equipment content in the first nine months of 2011, particularly at Sanexen, as discussed above in this MD&A.

Rental expense was stable between the third quarters of 2011 and 2010, at \$5.1 million and \$5.3 million, respectively. Such expense does not fluctuate substantially from quarter to quarter, unless changes occur within our network of facilities. On a year-to-date basis, rental expense totalled \$14.9 million or 9.4% of revenue, down from \$15.5 million or 10.7% of revenue for the same period in 2010. The \$0.6 million reduction is due mostly to some leases renegotiated in the second quarter of 2011.

Other expenses amounted to \$2.5 million for the third quarter of 2011, remaining stable compared to the expense of \$2.4 million incurred during the third quarter of 2010. For the first nine months of 2011, other expenses totalled \$8.4 million, representing a \$1.1 million variation on a year-to-date basis compared to \$7.3 million for the first nine months of 2010. The year-to-date variation was due mostly to costs related to the termination of our lease at New Haven (CT).

Depreciation and amortization expense was stable at \$2.1 million for the third quarters of 2011 and 2010. For the first nine months of 2011 and 2010, the expense, at \$6.3 million, was stable as well.

The share of profit of equity accounted investments represents the Company's share of profit or loss generated by our joint ventures. As discussed in the Q1 2011 MD&A and later on in this report, under CGAAP, we previously accounted for our joint ventures using the proportionate consolidation method. Under IFRS, the Company has elected to use the equity method to record its interests in joint ventures. Please refer to Note 7 of the notes to Q3 2011 condensed consolidated interim financial statements for more details regarding which joint ventures are included in this figure.

During the third quarter of 2011, an equity accounted investment of the Company divested a portion of its subsidiary to a third party. As a result of the transaction, this subsidiary became a joint venture of that equity accounted investment, leading to a change of control of this former subsidiary. In a change of control situation, International Accounting Standards ("IAS") 27, "Consolidated and Separate Financial Statements", dictates that the remaining holding of the entity subject to the transaction must be restated at fair market value. The revaluation, combined with the profit on the partial sale of the former subsidiary, resulted in a gain on partial disposal of a subsidiary of an equity accounted investment, of which Logistec's share was \$6.2 million. This figure is preliminary and is subject to change once the final valuation of the fair market value is completed. Please refer to Note 7 of the notes to Q3 2011 condensed consolidated interim financial statements for further details.

Other gains and losses showed a gain of \$0.4 million for the third quarter of 2011 and a loss of \$0.1 million for the first nine months ended September 24, 2011. Although the year-to-date loss is mostly explained by the New Haven (CT) related fixed assets being written off due to the termination of the lease earlier this year, it was partly offset by the third-quarter foreign exchange gain of \$0.4 million.

Finance expense was basically stable, standing at \$0.29 million for the third quarter of 2011 versus \$0.32 million for the same quarter of 2010, the slightly lower amount being in line with the reduction in long-term debt.

All other items of the condensed consolidated interim statements of earnings varied according to normal business parameters.

Overall, the Company generated a profit for the period of \$14.4 million in the third quarter of 2011, of which \$1.2 million was attributable to non-controlling interests, leaving a profit attributable to owners of the Company of \$13.2 million. While the \$7.9 million increase in profit over \$5.3 million for the third quarter of 2010 is largely attributable to the \$6.2 million share of gain on partial disposal of a subsidiary of an equity accounted investment discussed previously, it also reflects the third-quarter increase in profit, which is in line with the sales growth and higher volumes in all business sectors.

This translated into total basic and diluted earnings per share of \$2.02, which corresponds to basic and diluted earnings per share of \$1.94 attributable to Class A shares and of \$2.13 attributable to Class B shares.

### Dividends

On August 3, 2011, the Company declared dividends of \$0.0875 per Class A share and \$0.09625 per Class B share, for a total consideration of \$0.6 million. These dividends were paid on October 14, 2011, to shareholders of record as at September 30, 2011.

All dividends mentioned above were eligible dividends for Canada Revenue Agency purposes.

Although Logistec does not have a formal dividend policy, we have made a practice of distributing regular dividends since becoming a public company, subject of course to their declaration by our Board of Directors.

### Liquidity and Capital Resources

The Company's financial strategy and primary objectives when managing capital are described in Note 14 of the notes to 2010 consolidated financial statements of the 2010 annual report and were applied consistently in the third quarter of 2011. Please also refer to Note 5 of the notes to Q3 2011 condensed consolidated interim financial statements for an update on financial risk management information.

Total assets amounted to \$201.1 million as at September 24, 2011, up by \$21.7 million over the December 31, 2010, closing balance of \$179.4 million.

Cash and cash equivalents totalled \$7.1 million at the end of the third quarter of 2011, a decrease of \$1.3 million from the \$8.4 million balance as at December 31, 2010. The main items behind this variation were as follows:

Adding:

- \$15.9 million in profit for the period;
- \$10.7 million from increase in short-term bank loans;
- \$6.3 million from depreciation and amortization expense;
- \$3.9 million in dividends received from equity accounted investments;
- \$3.4 million in customer repayment of investments in service contracts; and
- \$1.4 million from interest received.

Less:

- \$17.7 million from changes in non-cash working capital items;
- \$6.0 million from income taxes paid;
- \$4.7 million injected in acquisition of property, plant and equipment;
- \$2.3 million used to pay dividends and repurchase shares;
- \$1.8 million in repayment of long-term debt; and
- \$10.2 million from our share of profit of equity accounted investments not cashed.

Working capital totalled \$29.9 million for a current ratio of 1.59:1 at the end of the third quarter of 2011, representing an improvement over the working capital of \$19.6 million and 1.47:1 current ratio posted as at December 31, 2010.

Trade and other receivables amounted to \$62.9 million at the end of the third quarter of 2011, up by \$17.8 million over \$45.1 million as at December 31, 2010. The increase is explained mostly by a higher level of activity in the third quarter versus the last quarter of the previous year, a consequence of the seasonality of our business. This is particularly noticeable in the environmental services segment where revenue increased by \$12.8 million between the two comparative reporting periods.

The balances of current income tax assets and liabilities are a factor of regular tax instalments versus taxable results that vary every month.

Investments in service contracts stood at \$14.1 million at the end of the first nine months of 2011, down by \$3.4 million from the balance as at December 31, 2010, reflecting reimbursements received from customers during the first nine months of 2011.

Property, plant and equipment decreased by \$0.5 million during the third quarter of 2011 to \$45.8 million. This is explained by a relatively low level of capital expenditure, which was slightly less than the depreciation expense recorded to date.

Equity accounted investments increased by \$6.4 million to \$31.5 million, up from \$25.0 million as at December 31, 2010. This increase is attributable to the \$4.1 million share of profit for the first nine months, offset by a dividend received of \$3.9 million, and to a gain of \$6.2 million on the disposal and revaluation of part of our interest in a subsidiary of an equity accounted investment, as discussed earlier in this report.

Other intangible assets were reduced by \$0.9 million in the first nine months of 2011 to \$2.2 million. This variation represents the amortization of customer lists acquired as part of business acquisitions during the previous two years.

Trade and other payables were stable at \$32.2 million at the end of the third quarter of 2011 when compared to the December 31, 2010 balance of \$31.1 million. Considering the higher level of activity in the third quarter of 2011 than in the fourth quarter of 2010 and the related increase in trade receivables, as discussed earlier in this report, we could have expected a more significant variation. However, the December 31, 2010, balance included a \$2.9 million payable relating to the long-term incentive plan for executives of the Company, which has since been paid. In addition, we increased our short-term bank loans by \$10.7 million between the end of 2010 and September 24, 2011, and used our lines of credit to pay down our trade payables.

Combining the current and long-term portions of long-term debt, the balance of \$18.2 million as at December 31, 2010, was reduced by \$1.7 million to \$16.4 million as at September 24, 2011, due to scheduled debt payments. This level of indebtedness computes into a debt/capitalization ratio of 12.2%, indicating that the Company is currently using very little of its financial leverage.

Post-employment benefit obligations and post-employment benefit assets are new line items added to the condensed statement of financial position prepared under IFRS and include all of the Company's retirement plans' surpluses and deficits. Please refer to Notes 4 and 12 of the notes to Q3 2011 condensed consolidated interim financial statements for further details on how the application of IFRS affected the accounting of the Company's retirement plans and post-employment benefits. We received the actuarial valuations of the defined benefit pension plans during the third quarter of 2011, overall, the required payments to the pension funds are reduced to \$1.6 million in 2011 compared to \$1.9 million in 2010.

All other items included in the condensed consolidated interim statements of financial position varied in the third quarter of 2011 according to normal business parameters.

As at November 3, 2011, 3,757,411 Class A shares and 2,761,250 Class B shares were issued and outstanding. Each Class A share is convertible at any time by its holder into one Class B share. Please refer to Note 6 of the notes to Q3 2011 condensed consolidated interim financial statements for full details regarding the Company's share capital.

### New Accounting Standards

As indicated earlier in this report, these are the third financial statements issued by the Company that were prepared under IFRS. Please refer to Note 2 of the notes to Q3 2011 condensed consolidated interim financial statements for a description of the basis of preparation and adoption of IFRS and to Note 3 of the notes to Q1 2011 condensed consolidated interim financial statements for a summary of significant accounting policies used in the preparation of the Q3 2011 condensed consolidated interim financial statements. Please also refer to the discussion later in this report on the conversion to IFRS.

Please refer to Note 4 of the notes to Q3 2011 condensed consolidated interim financial statements, which describes the critical accounting judgments and key sources of estimation uncertainty. In the application of the Company's significant accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

### Future Accounting Standards

The following new accounting standards or amendments to existing accounting standards have been published and are required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. Only the amendments to IAS 1, "Presentation of Financial Statements", are to be applied for accounting periods beginning on or after July 1, 2012.

#### **IFRS 11, "Joint Arrangements"**

IFRS 11 was issued in May 2011 and supersedes IAS 31, "Interests in Joint Ventures", and Standing Interpretations Committee ("SIC")-13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". This standard reduces the types of joint arrangement to two: joint operations and joint ventures. It requires a single method of accounting for joint ventures, the equity method, eliminating the proportionate consolidation method.

The Company does not anticipate that the standard will have a material impact as the Company has one type of joint arrangement, which consists of joint ventures and already reports for them using the equity method of accounting.

#### **IAS 28, "Investments in Associates and Joint Ventures"**

As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 was retitled and amended in May 2011 to include the requirements for the application of the equity method when accounting for joint ventures. The Company does not expect any material impact resulting from this amendment.

**The Company has not yet assessed the impact of the following IFRS standards or determined whether it will early adopt the standards:**

#### **IFRS 9, "Financial Instruments"**

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, "Financial Instruments – Recognition and Measurement", for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such

instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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

An exposure draft was issued in August 2011 proposing to change the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015, rather than annual periods beginning on or after January 1, 2013.

### **IFRS 10, "Consolidated Financial Statements"**

IFRS 10 was issued in May 2011 and replaces the consolidation requirements in SIC-12, "Consolidation – Special Purpose Entities", and IAS 27, "Consolidated and Separate Financial Statements". The standard provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. The revised definition of control indicates that control over an investee exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### **IFRS 12, "Disclosure of Interests in Other Entities"**

IFRS 12, issued in May 2011, addresses disclosure requirements of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

### **IFRS 13, "Fair Value Measurement"**

IFRS 13, issued in May 2011, defines fair value, sets out a framework for measuring fair value and provides disclosure requirements about fair value measurement. This standard applies when other IFRS require or permit fair value measurement.

### **IAS 19, "Employee Benefits"**

In June 2011, IAS 19 was amended to remove the corridor, which was an option to defer some gains and losses that arise from defined benefit plans. It requires companies to include service cost and finance cost in profit or loss and remeasurements in other comprehensive income. The amendments also improve disclosure requirements relating to the characteristics of defined benefit plans, the amounts recognized in the financial statements and the risks arising from defined benefit plans.

### **IAS 1, "Presentation of Financial Statements"**

Issued in June 2011, the amendments to IAS 1 require companies to group together items within other comprehensive income that may be reclassified to profit or loss.

## **Conversion to IFRS**

The Accounting Standards Board of Canada had announced that accounting standards in Canada, as used by public companies, would converge to IFRS. The official changeover date from CGAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning as of or after January 1, 2011. IFRS use a conceptual framework similar to CGAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Company had established a changeover plan to convert to these new standards according to the timetable set with these new rules. The plan had four major phases: scoping, enabling, executing and going live. The details of the plan were described in the 2010 MD&A included in the Company's 2010 annual report.

The condensed consolidated interim financial statements of the Company and its subsidiaries were prepared in accordance with IAS 34, "Interim Financial Reporting". The Company adopted IFRS in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards".

Below is a table listing exemptions elected by the Company with references to the explanatory notes in the notes to Q3 2011 condensed consolidated interim financial statements:

IFRS Optional Exemptions	IFRS Optional Exemptions Elected by the Company	As Described in Note 12.5
Employee benefits	All cumulative actuarial gains and losses have been recognized in opening retained earnings	b
Cumulative translation differences	Cumulative translation differences have been reset to zero in opening retained earnings	c
Asset retirement obligations included in the cost of property, plant and equipment	Depletion of asset retirement obligations included in the cost of property, plant and equipment have been determined based on the fair value under IFRS when the corresponding liability was incurred	d
Business combinations	Past business combinations have not been restated prior to transition date	j
Borrowing costs	Borrowing costs relating to qualifying assets have not been capitalized prior to transition date	j

The transition date was January 1, 2010, and in accordance with IFRS, the Company has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS as of September 24, 2011, as required; and
- Applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

The effects of the transition to IFRS on the condensed statement of financial position, statement of earnings, statement of comprehensive income and statement of cash flows are presented in detail in Note 12 of the notes to Q3 2011 condensed consolidated interim financial statements.

Certain presentation differences between CGAAP and IFRS have no impact on reported profit or total equity. Some assets and liabilities have been reclassified into other line items under IFRS at transition date. A reclassification has been recorded for investments in service contracts, income taxes, provisions and non-controlling interests. Some line items are described differently or renamed under IFRS compared to previous CGAAP, although the assets and liabilities included in these line items are unaffected. Please refer to Note 12 of the notes to Q3 2011 condensed consolidated interim financial statements.

Although a great deal of effort was put into this conversion process and numerous detailed analyses were performed to adequately convert to IFRS, only a few standards had a significant impact on the Company's financial statements. The following is not a complete description of all of the differences between CGAAP and IFRS but rather a summary of the differences having a significant impact.

## Joint Ventures

Under CGAAP, investments in joint ventures were accounted for using the proportionate consolidation method. IFRS currently permit the proportionate consolidation method or the equity method. However, there was an IFRS exposure draft which recommended that only the equity method be permitted and prohibited the use of proportionate consolidation. In this regard, the Company had elected to use the equity method to account for its interests in joint ventures. This prohibition has since been confirmed with the issuance of IFRS 11, as previously described in this report.

This difference has the most significant and pervasive impact of all of the changes that IFRS brought to the Company's financial reporting.

Although, as shown in Note 12.2 of the notes to Q3 2011 condensed consolidated interim financial statements, there is no impact on the profit for the period attributable to the owners of the Company (known as net income under CGAAP), this change in standard affected each line item of the consolidated statements of earnings. Since our joint ventures are an important part of our activities, the impact is significant per line item.

For example, for the third quarter of 2010, the exclusion of our proportionate share of revenue from joint ventures reduces our consolidated revenue by \$20.9 million. For the whole of 2010, the previously reported consolidated revenue of \$261.4 million under CGAAP becomes \$204.3 million as a comparative figure under IFRS, an impact of \$57.1 million resulting from the deconsolidation of joint ventures. Furthermore, as shown in Notes 12.1 and 12.3, the deconsolidation of joint ventures affects almost every line of the consolidated statements of financial position and consolidated statements of cash flows. Indeed, at transition date, as at January 1, 2010, consolidated cash and cash equivalents are reduced by \$7.6 million, while property, plant and equipment is down by \$29.3 million. Meanwhile, long-term debt (current and long-term portions combined) is down by \$17.6 million.

These are the most significant items which vary due to the deconsolidation of joint ventures and variations are of a similar magnitude as at the end of the third quarter of 2010 or as at December 31, 2010. Readers of the Company's condensed consolidated financial statements will need to consider these new disclosure rules in evaluating the Company's value and performance. The importance of joint ventures is shown in the information included in the equity accounted investments presented in Note 7 of the notes to Q3 2011 condensed consolidated interim financial statements.

### **Post-Employment Benefits**

Note 12.5 b of the notes to Q3 2011 condensed consolidated interim financial statements describes in detail the impact of IFRS on the Company's financial statements relating to post-employment benefits. However, where CGAAP essentially required the use of the corridor approach to account for the actuarial gains and losses arising from the calculation of the present value of the defined benefit obligation of the Company's retirement plans, IFRS provide the option to recognize all cumulative actuarial gains and losses deferred under CGAAP in opening retained earnings at transition date. The Company elected to do so. As a consequence of this election, the unrecognized actuarial gains and losses exceeding the corridor that were recognized as employee benefits expense in 2010, under previous CGAAP, were reversed. This reduced the pension expense by \$0.3 million in the third quarter of 2010 based on IFRS when computed to CGAAP.

Going forward, the Company has elected to recognize all actuarial gains and losses immediately in the statement of comprehensive income. The application of this accounting policy resulted in all actuarial gains and losses generated during 2010 to be recognized directly in other comprehensive income.

The net adjustment to the 2010 opening retained earnings is a decrease of \$5.1 million that derived from a reduction in assets of \$2.4 million and an increase in liabilities of \$2.7 million (see Note 12.1 of the notes to Q3 2011 condensed consolidated interim financial statements).

### **Cumulative Translation Differences**

Retrospective application of IFRS would require the Company to determine cumulative translation differences in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date a subsidiary or equity method investee with a functional currency different from the Company's reporting currency was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset cumulative translation losses amounting to \$2.6 million

and previously recognized in accumulated other comprehensive income to zero in opening retained earnings at transition date.

The adjustment is presented in the reconciliations under the header other IFRS adjustments.

Please refer to Note 12, and in particular to Note 12.5 of the notes to Q3 2011 condensed consolidated interim financial statements for a detailed description of the impact of IFRS on the Company's financial statements and on adjustments recorded in previously reported CGAAP figures.

### Report on Disclosure Controls

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

They have reviewed this MD&A and the Q3 2011 condensed consolidated interim financial statements and related notes (the "Interim Filings"). Based on their knowledge, the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Interim Filings. Based on their knowledge, the Q3 2011 condensed consolidated interim financial statements, together with the other financial information included in the Interim Filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the Interim Filings.

The President and Chief Executive Officer and the Vice-President, Finance concluded that the design of DC&P provided reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was communicated to them in a timely manner for the preparation of the Interim Filings and that information required to be disclosed in its Interim Filings was recorded, processed, summarized and reported within the required time periods.

The President and Chief Executive Officer and the Vice-President, Finance have also designed such ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There has been no change in the Company's ICFR that occurred during the third quarter of 2011 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

In light of the actual differences identified relative to the conversion to IFRS, no significant changes to the Company's DC&P and ICFR occurred.

### Outlook

We are satisfied that we achieved a 21.3% growth in our revenue, which totalled \$67.2 million for the third quarter of 2011, and a profit attributable to owners of the Company of \$13.2 million, a 2.5 fold increase over the third quarter of 2010. While this profit was inflated by the Company's \$6.2 million share of gain on partial disposal of a subsidiary of an equity accounted investment, we nevertheless recorded our best quarterly results ever, as the third quarter of 2011 profit would amount to \$7.0 million by excluding this unusual gain. For the first nine months of 2011, the situation is also satisfactory as revenue totalled \$158.4 million, up by 9.3% over last year, and year-to-date profit stood at \$14.6 million. When excluding the unusual gain of \$6.2 million, we still achieved profit of \$8.4 million, equivalent to our 2010 profit for the same period. Despite a slower start in 2011 than in 2010, we managed to catch up and our revenue is now

equivalent to last year's. We expect Transport Nanuk Inc. and Sanexen's activities to remain strong for the rest of the current fiscal year. Regarding our cargo-handling activities, we expect bulk cargo volumes to be on the rise, whereas container and break-bulk volumes should remain stable. Overall, this bodes very well for our 2011 year-end results.

As for the business environment over the longer term, it is hard to foresee what lies ahead. Indeed, economic indicators from the United States are mixed, warranting a cautious outlook. Slow growth south of the border and increasingly limited government budgets could impede our Aqua-Pipe® related development efforts and negatively impact sales of fire hoses in that market. Such a situation could also affect our U.S. customers' activities and, accordingly, our cargo-handling business. As all our operations could be adversely affected if this situation were to trigger a slowdown in the Canadian economy, we remain cautious in our outlook.

At the same time, we are resilient and confident that we can further develop our business while generating positive cash flows and remaining profitable, all of which will contribute to create value for our shareholders.

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

*Additional information relating to our Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Logistec's website at [www.logistec.com](http://www.logistec.com).*

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

November 3, 2011

## Condensed Consolidated Interim Statements of Earnings

(in thousands of Canadian dollars, except for number of shares and per share amounts)

	Notes	For the three months ended		For the nine months ended	
		September 24, 2011 (Unaudited) \$	September 25, 2010 (Unaudited) \$	September 24, 2011 (Unaudited) \$	September 25, 2010 (Unaudited) \$
Revenue		66,888	54,989	157,399	143,601
Interest revenue from investments in service contracts		314	411	1,016	1,304
<b>Total revenue</b>		<b>67,202</b>	<b>55,400</b>	<b>158,415</b>	<b>144,905</b>
Employee benefits expense		(31,451)	(28,364)	(78,438)	(72,751)
Equipment and supplies expense		(19,106)	(12,869)	(42,150)	(34,407)
Rental expense		(5,075)	(5,313)	(14,854)	(15,461)
Other expenses		(2,483)	(2,391)	(8,411)	(7,266)
Depreciation and amortization expense		(2,141)	(2,099)	(6,260)	(6,238)
Share of profit of equity accounted investments	7	3,049	3,013	4,045	4,361
Share of gain	7	6,171	–	6,171	–
Other gains and losses		399	(33)	(129)	(178)
<b>Operating profit</b>		<b>16,565</b>	<b>7,344</b>	<b>18,389</b>	<b>12,965</b>
Finance expense		(289)	(321)	(716)	(907)
Finance income		103	115	441	260
<b>Profit before income taxes</b>		<b>16,379</b>	<b>7,138</b>	<b>18,114</b>	<b>12,318</b>
Income taxes		(2,027)	(1,210)	(2,243)	(2,679)
<b>Profit for the period</b>		<b>14,352</b>	<b>5,928</b>	<b>15,871</b>	<b>9,639</b>
Profit attributable to:					
<b>Owners of the Company</b>		<b>13,202</b>	<b>5,322</b>	<b>14,608</b>	<b>8,810</b>
Non-controlling interests		1,150	606	1,263	829
<b>Profit for the period</b>		<b>14,352</b>	<b>5,928</b>	<b>15,871</b>	<b>9,639</b>
Basic and diluted earnings per Class A Common Share <sup>(1)</sup>		1.94	0.78	2.15	1.28
Basic and diluted earnings per Class B Subordinate Voting Share <sup>(2)</sup>		2.13	0.84	2.35	1.40
Weighted average number of Class A shares outstanding, basic and diluted		3,759,011	3,773,911	3,763,189	3,780,978
Weighted average number of Class B shares outstanding, basic and diluted		2,767,250	2,784,950	2,769,817	2,820,028

<sup>(1)</sup> Class A Common Share ("Class A share")

<sup>(2)</sup> Class B Subordinate Voting Share ("Class B share")

## Condensed Consolidated Interim Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	September 24, 2011 (Unaudited) \$	September 25, 2010 (Unaudited) \$	September 24, 2011 (Unaudited) \$	September 25, 2010 (Unaudited) \$
<b>Profit for the period</b>	<b>14,352</b>	5,928	<b>15,871</b>	9,639
Other comprehensive income				
Currency translation differences arising on translation of foreign operations	247	(65)	203	(163)
Share of other comprehensive income of equity accounted investments				
Gains (losses) on derivatives designated as cash flow hedges	(39)	–	100	–
Transfer of gains on derivatives designated as cash flow hedges to non-financial assets	–	–	(19)	–
Income taxes relating to derivatives designated as cash flow hedges	5	–	(12)	–
Other comprehensive income (loss) for the period, net of income taxes	213	(65)	272	(163)
<b>Total comprehensive income for the period</b>	<b>14,565</b>	5,863	<b>16,143</b>	9,476
Total comprehensive income attributable to:				
Owners of the Company	13,415	5,257	14,880	8,647
Non-controlling interests	1,150	606	1,263	829
<b>Total comprehensive income for the period</b>	<b>14,565</b>	5,863	<b>16,143</b>	9,476

## Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at September 24, 2011 (Unaudited) \$	As at December 31, 2010 (Unaudited) \$	As at January 1, 2010 (Unaudited) \$
<b>Assets</b>				
Current assets				
Cash and cash equivalents		7,068	8,382	9,649
Short-term investments		–	–	1,573
Short-term portion of investments in service contracts		186	173	2,289
Trade and other receivables		62,937	45,137	39,843
Current income tax assets		4,038	1,734	3,279
Prepaid expenses		2,663	2,037	2,062
Inventories		3,962	3,264	3,819
		<b>80,854</b>	<b>60,727</b>	<b>62,514</b>
Equity accounted investments	7	31,456	25,050	20,987
Investments in service contracts		14,052	17,432	19,435
Property, plant and equipment		45,824	46,365	49,159
Goodwill		11,986	11,986	10,349
Other intangible assets		2,226	3,085	4,207
Other non-current assets		4,161	4,125	4,697
Post-employment benefit assets		1,353	1,419	–
Long-term financial assets		3,494	3,505	1,835
Deferred income tax assets		5,691	5,677	3,667
<b>Total assets</b>		<b>201,097</b>	<b>179,371</b>	<b>176,850</b>
<b>Liabilities</b>				
Current liabilities				
Short-term bank loans		13,002	2,278	3,048
Trade and other payables		32,187	31,118	22,147
Deferred revenue		882	980	1,412
Current income tax liabilities		1,279	2,901	616
Dividends payable		595	582	538
Current portion of long-term debt		2,550	2,570	2,785
Provisions		407	742	714
		<b>50,902</b>	<b>41,171</b>	<b>31,260</b>
Long-term debt		13,898	15,625	30,359
Provisions		172	154	146
Deferred income tax liabilities		4,613	4,914	4,997
Post-employment benefit obligations		5,991	6,466	5,669
Other non-current liabilities		1,743	1,184	3,845
<b>Total liabilities</b>		<b>77,319</b>	<b>69,514</b>	<b>76,276</b>
<b>Equity</b>				
Share capital	6	15,172	15,130	15,395
Retained earnings		103,046	90,702	81,991
Accumulated other comprehensive loss		(95)	(367)	–
Equity attributable to owners of the Company		<b>118,123</b>	<b>105,465</b>	<b>97,386</b>
Non-controlling interests		5,655	4,392	3,188
<b>Total equity</b>		<b>123,778</b>	<b>109,857</b>	<b>100,574</b>
<b>Total liabilities and equity</b>		<b>201,097</b>	<b>179,371</b>	<b>176,850</b>

## Condensed Consolidated Interim Statements of Changes in Equity

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company							
		Accumulated other comprehensive income (loss)					Total	Non-controlling interests	Total equity
		Share capital	Hedging	Foreign currency translation	Retained earnings				
\$	\$	\$	\$	\$	\$	\$	\$		
<b>Balance as at January 1, 2011</b>		<b>15,130</b>	<b>–</b>	<b>(367)</b>	<b>90,702</b>	<b>105,465</b>	<b>4,392</b>	<b>109,857</b>	
Profit for the period		–	–	–	14,608	14,608	1,263	15,871	
Other comprehensive income									
Currency translation differences arising on translation of foreign operations		–	–	203	–	203	–	203	
Share of cash flow hedges of equity accounted investments, net of income taxes		–	69	–	–	69	–	69	
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>69</b>	<b>203</b>	<b>14,608</b>	<b>14,880</b>	<b>1,263</b>	<b>16,143</b>	
Repurchase and conversion of Class A shares	6	(14)	–	–	(82)	(96)	–	(96)	
Issuance, repurchase and conversion of Class B shares	6	56	–	–	(426)	(370)	–	(370)	
Dividends on Class A shares		–	–	–	(970)	(970)	–	(970)	
Dividends on Class B shares		–	–	–	(786)	(786)	–	(786)	
<b>Balance as at September 24, 2011</b>		<b>15,172</b>	<b>69</b>	<b>(164)</b>	<b>103,046</b>	<b>118,123</b>	<b>5,655</b>	<b>123,778</b>	

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company							
		Accumulated other comprehensive income (loss)					Total	Non-controlling interests	Total equity
		Share capital	Hedging	Foreign currency translation	Retained earnings				
\$	\$	\$	\$	\$	\$	\$	\$		
<b>Balance as at January 1, 2010</b>		<b>15,395</b>	<b>–</b>	<b>–</b>	<b>81,991</b>	<b>97,386</b>	<b>3,188</b>	<b>100,574</b>	
Profit for the period		–	–	–	8,810	8,810	829	9,639	
Other comprehensive loss									
Currency translation differences arising on translation of foreign operations		–	–	(163)	–	(163)	–	(163)	
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>(163)</b>	<b>8,810</b>	<b>8,647</b>	<b>829</b>	<b>9,476</b>	
Repurchase and conversion of Class A shares	6	(20)	–	–	(217)	(237)	–	(237)	
Issuance, repurchase and conversion of Class B shares	6	(205)	–	–	(1,178)	(1,383)	–	(1,383)	
Dividends on Class A shares		–	–	–	(908)	(908)	–	(908)	
Dividends on Class B shares		–	–	–	(745)	(745)	–	(745)	
<b>Balance as at September 25, 2010</b>		<b>15,170</b>	<b>–</b>	<b>(163)</b>	<b>87,753</b>	<b>102,760</b>	<b>4,017</b>	<b>106,777</b>	

## Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the nine months ended	
		September 24, 2011 (Unaudited) \$	September 25, 2010 (Unaudited) \$
<b>Operating activities</b>		<b>15,871</b>	9,639
Profit for the period			
Items not affecting cash		<b>(2,183)</b>	2,995
Cash generated from operations		<b>13,688</b>	12,634
Dividends received from equity accounted investments		<b>3,878</b>	1,826
Contributions to defined benefit retirement plans		<b>(928)</b>	(930)
Settlement of provisions		<b>(324)</b>	(254)
Changes in non-cash working capital items		<b>(17,674)</b>	(2,083)
Income taxes paid		<b>(5,966)</b>	(1,355)
		<b>(7,326)</b>	9,838
<b>Financing activities</b>			
Net change in short-term bank loans		<b>10,724</b>	3,732
Repayment of long-term debt		<b>(1,810)</b>	(12,060)
Issuance of Class B shares	6	<b>4</b>	4
Interest paid		<b>(722)</b>	(807)
Repurchase of Class B shares	6	<b>(505)</b>	(1,530)
Repurchase of Class A shares	6	<b>(96)</b>	(237)
Dividends paid		<b>(1,743)</b>	(1,606)
		<b>5,852</b>	(12,504)
<b>Investing activities</b>			
Customer repayment of investments in service contracts		<b>3,367</b>	3,083
Interest received		<b>1,428</b>	1,570
Investments in service contracts		<b>–</b>	(38)
Disposal of short-term investments		<b>–</b>	1,492
Business acquisition		<b>–</b>	(1,320)
Acquisition of property, plant and equipment		<b>(4,650)</b>	(3,364)
Proceeds from disposal of property, plant and equipment		<b>90</b>	76
Acquisition of intangible assets		<b>(70)</b>	(53)
Acquisition of other assets		<b>–</b>	(1,952)
		<b>165</b>	(506)
Net change in cash and cash equivalents		<b>(1,309)</b>	(3,127)
Cash and cash equivalents <sup>(1)</sup> , beginning of period		<b>8,382</b>	9,649
Effect of exchange rate on balances held in foreign currencies of foreign operations		<b>(5)</b>	200
<b>Cash and cash equivalents <sup>(2)</sup>, end of period</b>		<b>7,068</b>	6,722
<b>Additional information</b>			
Acquisition of property, plant and equipment included in trade and other payables		<b>820</b>	259

<sup>(1)</sup> Comprised of cash on hand and short-term investments with maturity date less than three months from the acquisition date

<sup>(2)</sup> Comprised of cash on hand

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

## 1. General Information

Logistec Corporation provides specialized cargo handling and other services to a wide variety of marine, industrial and municipal customers. The Company has cargo-handling facilities in 23 ports in Eastern Canada and on the U.S. East Coast; marine transportation services geared primarily to the Arctic coastal trade; short-line rail transportation services; and agency services to foreign shipowners and operators serving the Canadian market. The Company is widely diversified on the basis of cargo type and port location with a good balance between import and export activities. Furthermore, the Company, through its subsidiary Sanexen Environmental Services Inc. ("Sanexen"), operates in the environmental sector where it provides services for the trenchless structural rehabilitation of underground water mains, management of PCBs, site remediation, risk assessment, and woven-hose manufacturing.

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

The Company's largest shareholder is Sumanic Investments Inc.

These unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 3, 2011.

## 2. Basis of Preparation and Adoption of International Financial Reporting Standards ("IFRS")

These are the Company's third IFRS condensed consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011, and IFRS 1, "First-Time Adoption of IFRS" has been applied. The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("CGAAP").

For further information on the Company's first IFRS condensed consolidated interim financial statements, refer to Q1 2011 condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared with accounting policies consistent with IFRS and in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". Subject to certain optional exemptions and mandatory exceptions disclosed in Note 12 of the notes to Q3 2011 condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies in its opening IFRS condensed consolidated statements of financial position as at January 1, 2010, and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Company's reported condensed consolidated interim statements of financial position, condensed consolidated interim statements of earnings, condensed consolidated interim statements of comprehensive income, and condensed consolidated interim statements of cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010, and consolidated interim financial statements for the period ended September 25, 2010. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS issued and in effect as of September 24, 2011. Any subsequent changes to IFRS that would be effective in the Company's consolidated annual financial statements for the year ending December 31, 2011, could result in the restatement of these condensed consolidated interim financial statements, including the transition adjustments.

The condensed consolidated interim financial statements should be read in conjunction with the Company's CGAAP consolidated annual financial statements for the year ended December 31, 2010. Notes 4 and 9 of the notes to Q3 2011 condensed consolidated interim financial statements provide IFRS information for the year ended December 31, 2010, that had not been provided in the 2010 consolidated annual financial statements.

## 3. Summary of Significant Accounting Policies

For significant accounting policies used in the preparation of these condensed consolidated interim financial statements, refer to Note 3 of the notes to Q1 2011 condensed consolidated interim financial statements.

### Accounting Standards Issued but not yet Applied

The following new accounting standards or amendments to existing accounting standards have been published and are required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. Only the amendments to International Accounting Standards ("IAS") 1, "Presentation of Financial Statements", are to be applied for accounting periods beginning on or after July 1, 2012.

#### ***IFRS 11, "Joint Arrangements"***

IFRS 11 was issued in May 2011 and supersedes IAS 31, "Interests in Joint Ventures", and Standing Interpretations Committee ("SIC")-13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". This standard reduces the types of joint arrangement to two: joint operations and joint ventures. It requires a single method of accounting for joint ventures, the equity method, eliminating the proportionate consolidation method.

The Company does not anticipate that the standard will have a material impact as the Company has one type of joint arrangement, which consists of joint ventures and already reports for them using the equity method of accounting.

#### ***IAS 28, "Investments in Associates and Joint Ventures"***

As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 was retitled and amended in May 2011 to include the requirements for the application of the equity method when accounting for joint ventures. The Company does not expect any material impact resulting from this amendment.

**The Company has not yet assessed the impact of the following IFRS standards or determined whether it will early adopt the standards:**

#### ***IFRS 9, "Financial Instruments"***

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, "Financial Instruments – Recognition and Measurement", for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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

An exposure draft was issued in August 2011 proposing to change the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015, rather than annual periods beginning on or after January 1, 2013.

## ***IFRS 10, "Consolidated Financial Statements"***

IFRS 10 was issued in May 2011 and replaces the consolidation requirements in SIC-12, "Consolidation – Special Purpose Entities", and IAS 27, "Consolidated and Separate Financial Statements". The standard provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. The revised definition of control indicates that control over an investee exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## ***IFRS 12, "Disclosure of Interests in Other Entities"***

IFRS 12, issued in May 2011, addresses disclosure requirements of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

## ***IFRS 13, "Fair Value Measurement"***

IFRS 13, issued in May 2011, defines fair value, sets out a framework for measuring fair value and provides disclosure requirements about fair value measurement. This standard applies when other IFRS require or permit fair value measurement.

## ***IAS 19, "Employee Benefits"***

In June 2011, IAS 19 was amended to remove the corridor, which was an option to defer some gains and losses that arise from defined benefit plans. It requires companies to include service cost and finance cost in profit or loss and remeasurements in other comprehensive income. The amendments also improve disclosure requirements relating to the characteristics of defined benefit plans, the amounts recognized in the financial statements and the risks arising from defined benefit plans.

## ***IAS 1, "Presentation of Financial Statements"***

Issued in June 2011, the amendments to IAS 1 require companies to group together items within other comprehensive income that may be reclassified to profit or loss.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's significant accounting policies, which are described in Note 3 of the notes to Q1 2011 condensed consolidated interim financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The measurement of some assets and liabilities in the preparation of these financial statements include assumptions made by management particularly on the following items:

### Trade Receivables

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

### Goodwill and Other Intangible Assets

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

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

### Property, Plant and Equipment, and Finite-Life Intangible Assets

The useful life of property, plant and equipment, and finite-life intangible assets is determined by management based on their estimate of the period over which an asset is expected to be available for use by the Company. This estimate is reviewed annually with the effect of any changes in estimates accounted for on a prospective basis.

### Equity Accounted Investments

During the third quarter of 2011, a joint venture of the Company sold a portion of its subsidiary to a third party. This transaction resulted in a change of control and consequently, the fair value of the investment retained in the former subsidiary had to be determined. The fair valuation of the investment retained involves significant assumptions and estimates.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

The fair value of the investment retained is factored in the calculation of the gain on partial disposal of the former subsidiary, influencing directly the Company's share of gain, and thereby equity accounted investments. The fair value determined is preliminary and is subject to change once the final valuation is completed. Any change in the said fair value could result in a change in the Company's share of gain, and thereby in equity accounted investments. Refer to Note 7 of the notes to Q3 2011 condensed consolidated interim financial statements for further details on this transaction.

## **Investments in Service Contracts**

The recoverability of the carrying amount of investments in service contracts over their remaining lives must be assessed based on the terms of the contract.

## **Impairment of Long-Lived Assets, Including Goodwill**

At each reporting date, if any indication of impairment exists for long-lived assets, including goodwill, the Company performs an impairment test to determine if the carrying amounts are recoverable. The impairment review process is subjective and requires significant estimates throughout the analysis.

## **Deferred Income Taxes**

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

## **Post-Employment Benefits**

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

The actuarial assumptions used by the Company may differ materially from actual results in future periods due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates, or longer or shorter participant life spans.

## **Provisions for Warranty**

Provisions for warranty require the assessment of the percentage of the products that will not be free of defects in material and workmanship, based on historical data.

## **Provisions for Claims and Litigation**

The claims and litigation to which the Company is exposed are assessed by the Corporate and Legal Services Department. In certain situations, the Corporate and Legal Services Department may use the assistance of external specialized lawyers.

## **Provisions for Asset Retirement Obligations**

Provisions for asset retirement obligations require the assessment of the amounts that the Company will have to pay and the estimate of the discount rate.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 5. Financial Risk Management

### Capital Management

The Company monitors the debt/capitalization ratio on a quarterly basis. As at September 24, 2011, the ratio is 12.2% based on debt of \$16,448,000 divided by a total capitalization of \$134,571,000 (17.6% as at September 25, 2010, based on \$22,007,000/\$124,767,000), well within the Company's objective of less than 40%.

As at September 24, 2011, the Company is in compliance with all of its obligations under the terms of its banking agreements.

All other information included under "Capital Management" is not significantly different from the information provided in the consolidated financial statements included in the Company's 2010 annual report.

### Credit Risk

Credit risk arises from the potential that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial and well-established customers, thus reducing its credit risk. On the other hand, the number of customers served by the Company is limited, which increases the risk of business concentration and economic dependence. Overall, the Company serves approximately 2,000 customers. As at September 24, 2011, the 20 largest customers account for approximately 54% of consolidated revenue.

All other information included under "Financial Risk Management" is not significantly different from the information provided in the consolidated financial statements included in the Company's 2010 annual report.

## 6. Share Capital

Since the beginning of 2011, pursuant to the Company's normal course issuer bid, 4,500 (14,400 in 2010) Class A shares and 24,200 (97,100 in 2010) Class B shares were repurchased and cancelled for cash consideration of \$96,000 (\$237,000 in 2010) and \$505,000 (\$1,530,000 in 2010), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$90,000 (\$217,000 in 2010) and \$417,000 (\$1,178,000 in 2010), respectively, was charged to retained earnings. Also, 6,300 (200 in 2010) Class A shares with a stated capital value of \$8,000 (nil in 2010) were converted into 6,300 (200 in 2010) Class B shares.

Since the beginning of 2011, under the Employee Stock Purchase Plan, 6,900 (9,900 in 2010) Class B shares were issued for cash consideration of \$4,000 (\$4,000 in 2010) and for non-interest bearing loans of \$132,000 (\$143,000 in 2010) repayable over two years. The portion of these non-interest bearing loans granted to key management personnel of the Company amounted to \$64,000 (\$86,000 in 2010).

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

The issued and outstanding shares were as follows:

	As at September 24, 2011 \$	As at December 31, 2010 \$
Issued and outstanding		
3,758,811 Class A shares (3,769,611 in 2010)	4,968	4,982
2,765,250 Class B shares (2,776,250 in 2010)	10,204	10,148
	<b>15,172</b>	<b>15,130</b>

As at September 24, 2011, the outstanding balance of the non-interest bearing loans granted under the Employee Stock Purchase Plan and repayable over two years has a carrying value of \$163,000 (\$169,000 as at September 25, 2010). The portion of these non-interest bearing loans granted to key management personnel of the Company amounts to \$77,000 as at September 24, 2011 (\$95,000 as at September 25, 2010). There remains an unallocated balance of 17,700 Class B shares reserved pursuant to this purchase plan.

## Dividends

Details of dividends declared per share are as follows:

	For the nine months ended	
	September 24, 2011 \$	September 25, 2010 \$
Class A shares	0.26	0.24
Class B shares	0.28	0.26

## 7. Equity Accounted Investments

### Investments in Joint Ventures

The Company's results include its share of operations in joint ventures, which are accounted for using the equity method. The Company's 50% equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., M.S.J.-Logistec Stevedoring, Quebec Maritime Services Inc., Mestco Terminal Inc., and ValTec, General Partnership. The Company also holds a 49% equity interest in Qikiqtaaluk Environmental Inc. There has been no change in the Company's ownership or voting interests in these joint ventures during the reported period.

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

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

The Company's share of assets and liabilities, and share of profit of equity accounted joint ventures are summarized as follows:

	As at September 24, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
<b>Statements of financial position</b>			
Current assets	13,609	26,049	20,363
Property, plant and equipment	2,293	20,904	20,871
Other assets	23,062	5,359	5,253
Current liabilities	6,896	7,588	7,454
Long-term debt	–	9,788	10,792
Other liabilities	583	3,699	3,350
<b>For the three months ended</b>			
	September 24, 2011 \$	September 25, 2010 \$	<b>For the nine months ended</b>
			September 24, 2011 \$
			September 25, 2010 \$
<b>Statements of earnings</b>			
Revenue	23,118	31,213	38,977
Expenses	(13,907)	(28,206)	(28,799)
Share of profit of equity accounted joint ventures	9,211	3,007	10,178
			4,346

During the three-month period ended September 24, 2011, the Company received dividends of \$3,490,000 (\$152,000 in 2010) from its equity accounted joint ventures for a total of \$3,878,000 (\$1,252,000 in 2010) since the beginning of 2011.

## ***Partial disposal of a subsidiary of an equity accounted investment***

During the third quarter of 2011, a joint venture of the Company sold a portion of its subsidiary to a third party. That transaction resulted in a change of control of this former subsidiary, which became a joint venture. The Company's share of the gain on partial disposal of the former subsidiary amounted to \$6,171,000, of which \$4,506,000 was attributable to the recognition of the investment retained in the former subsidiary at its fair value at the date of change of control. These figures are preliminary and are subject to change once the final valuation of the fair market value of the investment retained in the former subsidiary is completed.

## **Investments in Associates**

The Company's results include its share of operations in associates, which are accounted for using the equity method. The Company's equity interests are in the following associates: Sept-Îles Mooring Inc. (33.3% ownership), St. Lawrence Mooring Inc. (25.0% ownership), and Quebec Railway Corporation Inc. (16.2% ownership). There has been no change in the Company's ownership or voting interests in these associates during the reported period.

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

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

As at January 1, 2010, the Company's investment in Quebec Railway Corporation Inc. amounted to \$544,000. During the first quarter of 2010, the Company received dividends of \$544,000, reducing its investment to nil. The Company's other investments in associates and their share of profit are not significant. During the second quarter of 2010, the Company received dividends of \$30,000 from its equity accounted associates. Since the end of the second quarter of 2010, the Company has not received any dividends from the equity accounted associates.

## 8. Employee Future Benefits

The Company's total net pension expense recognized in operating profit was as follows:

	For the three months ended		For the nine months ended	
	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
	\$	\$	\$	\$
Defined benefit retirement plans	197	(18)	591	341
Defined contribution retirement plans	257	211	771	582
Government pension plans	181	165	720	652
	635	358	2,082	1,575

Total cash payments for employee future benefits for the nine-month period ended September 24, 2011, consisting of cash contributed by the Company to its funded benefit retirement plans, cash payments made directly to beneficiaries for its unfunded other benefit retirement plans, and cash contributed to its defined contribution retirement plans, were \$1,699,000 (\$1,512,000 in 2010).

## 9. Related Party Transactions

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

### Trading Transactions

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

	For the three months ended		For the nine months ended	
	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
	\$	\$	\$	\$
Sale of services	97	31	192	76
Purchase of services	24	26	52	56

	As at September 24, 2011	As at December 31, 2010	As at January 1, 2010
	\$	\$	\$
Amounts owed to joint ventures	145	29	16
Amounts owed from joint ventures	146	88	19

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

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

## Loans to Related Parties

The following balances were outstanding at the end of the reporting period:

	As at September 24, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
Joint ventures	625	625	–
Key management personnel	77	67	64

The Company extended a demand loan of \$625,000 to one of its joint ventures, bearing interest at a fixed rate of 7.00% per annum.

The Company has provided loans to several members of key management personnel in connection with the Employee Stock Purchase Plan, as described in Note 6 of the notes to Q3 2011 condensed consolidated interim financial statements.

## Transactions with Shareholders

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

	As at September 24, 2011 \$	As at September 25, 2010 \$
Dividends paid	738	670

Dividends of \$131,000 (\$121,000 in 2010) were paid to members of key management personnel.

## Compensation of Key Management Personnel

The remuneration of directors and of other members of key management personnel <sup>(1)</sup> during the period was as follows:

	For the three months ended		For the nine months ended	
	September 24, 2011 \$	September 25, 2010 \$	September 24, 2011 \$	September 25, 2010 \$
Short-term benefits	1,285	795	3,415	2,392
Post-employment benefits	7	–	240	151
Other long-term benefits	543	–	543	–
	1,835	795	4,198	2,543

<sup>(1)</sup> The compensation of members of key management personnel includes the compensation of the president of one of the Company's joint ventures

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 10. Segmented Information

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

Segments identified in accordance with IFRS 8, "Operating Segments", do not differ from those identified under CGAAP. The Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segmented profit before income taxes to measure the operating performance of its segments.

The financial information by industry segment is as follows:

	Marine services \$	Environmental services \$	Total \$
<b>For the three months ended September 24, 2011</b>			
Revenue	32,955	34,247	67,202
Profit before income taxes	11,107	5,272	16,379
<b>For the nine months ended September 24, 2011</b>			
Revenue	95,812	62,603	158,415
Profit before income taxes	12,317	5,797	18,114
<b>As at September 24, 2011</b>			
Total assets	138,984	62,113	201,097
<b>For the three months ended September 25, 2010</b>			
Revenue	31,186	24,214	55,400
Profit before income taxes	4,176	2,962	7,138
<b>For the nine months ended September 25, 2010</b>			
Revenue	93,853	51,052	144,905
Profit before income taxes	8,305	4,013	12,318
<b>As at December 31, 2010</b>			
Total assets	133,329	46,042	179,371
<b>As at January 1, 2010</b>			
Total assets	134,935	41,915	176,850

## 11. Seasonal Nature of Operations

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

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

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

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

## 12. First-Time Adoption of IFRS

These condensed consolidated interim financial statements represent the third condensed interim financial statements of the Company and its subsidiaries prepared in accordance with IAS 34. The Company adopted IFRS in accordance with IFRS 1. Transition date was January 1, 2010. In accordance with IFRS, the Company has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS as of September 24, 2011, as required; and
- Applied certain optional exemptions and mandatory exceptions as applicable for first-time IFRS adopters.

The Company's consolidated financial statements were previously prepared in accordance with CGAAP.

The Company's IFRS accounting policies presented in Note 3 of the notes to Q1 2011 condensed consolidated interim financial statements have been applied in preparing the condensed consolidated financial statements for the period ended September 24, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and the period ended September 25, 2010, and in preparation of an opening IFRS statement of financial position at transition date.

The Company has applied IFRS 1 in preparing these third IFRS condensed consolidated interim financial statements. The effects of the transition to IFRS on the condensed statement of financial position, statement of earnings, statement of comprehensive income and statement of cash flows is presented in this section and is further explained in the notes that accompany the tables.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 12.1. Reconciliation of Equity

### Reconciliation of Condensed Consolidated Interim Statements of Financial Position as at January 1, 2010

The IFRS condensed consolidated interim statements of financial position as at January 1, 2010, can be reconciled to the amounts previously reported in accordance with CGAAP as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS reclassifications \$	IFRS \$
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	a	17,297	(7,648)	–	–	–	9,649
Short-term investments	l	3,862	–	–	–	(2,289)	1,573
Short-term portion of investments in service contracts	l	–	–	–	–	2,289	2,289
Trade and other receivables	a, g	50,586	(10,973)	–	230	–	39,843
Current income tax assets	a	4,091	(812)	–	–	–	3,279
Future income taxes	m	264	–	–	–	(264)	–
Prepaid expenses	a	2,706	(644)	–	–	–	2,062
Inventories	a	4,273	(454)	–	–	–	3,819
		83,079	(20,531)	–	230	(264)	62,514
<b>Investments</b>							
Equity accounted investments	a, b, l	20,006	–	–	–	(20,006)	–
Investments in service contracts	l	–	20,501	(178)	93	571	20,987
Property, plant and equipment	a, d	–	–	–	–	19,435	19,435
Goodwill		78,557	(29,310)	–	(88)	–	49,159
Other intangible assets	a	10,349	–	–	–	–	10,349
Other non-current assets	a, b	5,602	(1,395)	–	–	–	4,207
Long-term financial assets		8,607	(211)	(3,699)	–	–	4,697
Deferred income tax assets	b, d, m	1,835	–	–	–	–	1,835
		1,948	–	1,525	(70)	264	3,667
<b>Total assets</b>		209,983	(30,946)	(2,352)	165	–	176,850
<b>Liabilities</b>							
<b>Current liabilities</b>							
Short-term bank loans		3,048	–	–	–	–	3,048
Trade and other payables	a, b, g, n	27,967	(5,064)	(163)	(313)	(280)	22,147
Deferred revenue		1,412	–	–	–	–	1,412
Current income tax liabilities	a	657	(41)	–	–	–	616
Dividends payable		538	–	–	–	–	538
Future income taxes	g, m	1,112	–	–	32	(1,144)	–
Current portion of long-term debt	a	9,432	(6,647)	–	–	–	2,785
Provisions	d, g, n	93	–	–	341	280	714
		44,259	(11,752)	(163)	60	(1,144)	31,260
<b>Long-term debt</b>							
Provisions	a	41,333	(10,974)	–	–	–	30,359
Deferred income tax liabilities	d	443	–	–	(297)	–	146
Post-employment benefit obligations	a, b, d, h, m	7,554	(3,649)	(226)	174	1,144	4,997
Other non-current liabilities	b	–	–	5,669	–	–	5,669
	a, b	6,455	(76)	(2,534)	–	–	3,845
<b>Total liabilities</b>		100,044	(26,451)	2,746	(63)	–	76,276
<b>Non-controlling interests</b>							
	a, o	7,737	(4,495)	–	(54)	(3,188)	–
<b>Equity</b>							
<b>Share capital</b>							
Share capital		15,395	–	–	–	–	15,395
<b>Retained earnings</b>							
Accumulated other comprehensive income	b, c, d, g, h	89,364	–	(5,098)	(2,275)	–	81,991
	c	(2,557)	–	–	2,557	–	–
<b>Equity attributable to owners of the Company</b>							
		102,202	–	(5,098)	282	–	97,386
<b>Non-controlling interests</b>							
	o	–	–	–	–	3,188	3,188
<b>Total equity</b>		102,202	–	(5,098)	282	3,188	100,574
<b>Total liabilities and equity</b>		209,983	(30,946)	(2,352)	165	–	176,850

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of Condensed Consolidated Interim Statements of Financial Position as at September 25, 2010

The IFRS condensed consolidated interim statements of financial position as at September 25, 2010, can be reconciled to the amounts previously reported in accordance with CGAAP as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS reclassifications \$	IFRS \$
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	a	12,511	(5,789)	–	–	–	6,722
Short-term investments	a, l	6,793	(4,500)	–	–	(2,211)	82
Short-term portion of investments in service contracts	l	–	–	–	–	2,211	2,211
Trade and other receivables	a, g	67,056	(17,571)	–	360	–	49,845
Current income tax assets	a	2,750	(86)	–	–	–	2,664
Future income taxes	m	258	–	–	–	(258)	–
Prepaid expenses	a	3,319	(483)	–	–	–	2,836
Inventories	a	5,054	(1,304)	–	–	–	3,750
		97,741	(29,733)	–	360	(258)	68,110
Investments	l	16,480	–	–	–	(16,480)	–
Equity accounted investments	a, b, i, l	–	23,427	(147)	403	12	23,695
Investments in service contracts	l	–	–	–	–	16,468	16,468
Property, plant and equipment	a, d	76,269	(28,822)	–	(79)	–	47,368
Goodwill		11,986	–	–	–	–	11,986
Other intangible assets	a	4,457	(1,284)	–	–	–	3,173
Other non-current assets	a, b	8,586	(227)	(4,001)	–	–	4,358
Long-term financial assets		3,658	–	–	–	–	3,658
Deferred income tax assets	b, d, m	1,924	–	1,525	(70)	258	3,637
<b>Total assets</b>		221,101	(36,639)	(2,623)	614	–	182,453
<b>Liabilities</b>							
<b>Current liabilities</b>							
Short-term bank loans	a	8,869	(2,089)	–	–	–	6,780
Trade and other payables	a, b, g, n	38,975	(6,440)	(191)	(203)	(180)	31,961
Deferred revenue	a	1,330	(409)	–	–	–	921
Current income tax liabilities	a, b	2,040	(1,227)	172	–	–	985
Dividends payable	a	585	(1)	–	–	–	584
Future income taxes	g, m	1,097	–	–	32	(1,129)	–
Current portion of long-term debt	a	4,598	(1,971)	–	–	–	2,627
Provisions	d, g, n	93	–	–	434	180	707
		57,587	(12,137)	(19)	263	(1,129)	44,565
Long-term debt	a	34,294	(14,914)	–	–	–	19,380
Provisions	d	465	–	–	(313)	–	152
Deferred income tax liabilities	a, b, d, h, m	7,643	(3,738)	(226)	174	1,129	4,982
Post-employment benefit obligations	b	–	–	5,150	–	–	5,150
Other non-current liabilities	a, b	4,318	(100)	(2,771)	–	–	1,447
<b>Total liabilities</b>		104,307	(30,889)	2,134	124	–	75,676
Non-controlling interests	a, o	9,821	(5,750)	–	(54)	(4,017)	–
<b>Equity</b>							
Share capital		15,170	–	–	–	–	15,170
Retained earnings	b, c, d, g, h	94,523	–	(4,757)	(2,013)	–	87,753
Accumulated other comprehensive loss	c	(2,720)	–	–	2,557	–	(163)
Equity attributable to owners of the Company		106,973	–	(4,757)	544	–	102,760
Non-controlling interests	o	–	–	–	–	4,017	4,017
<b>Total equity</b>		106,973	–	(4,757)	544	4,017	106,777
<b>Total liabilities and equity</b>		221,101	(36,639)	(2,623)	614	–	182,453

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of Condensed Consolidated Interim Statements of Financial Position as at December 31, 2010

The IFRS condensed consolidated interim statements of financial position as at December 31, 2010, can be reconciled to the amounts previously reported in accordance with CGAAP as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS reclassifications \$	IFRS \$
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	a	19,538	(11,156)	–	–	–	<b>8,382</b>
Short-term investments	l	173	–	–	–	(173)	–
Short-term portion of investments in service contracts	l	–	–	–	–	173	<b>173</b>
Trade and other receivables	a, g	58,427	(13,683)	–	393	–	<b>45,137</b>
Current income tax assets	a	1,838	(104)	–	–	–	<b>1,734</b>
Future income taxes	m	1,023	–	–	–	(1,023)	–
Prepaid expenses	a	2,576	(539)	–	–	–	<b>2,037</b>
Inventories	a	4,321	(1,057)	–	–	–	<b>3,264</b>
		<b>87,896</b>	<b>(26,539)</b>	<b>–</b>	<b>393</b>	<b>(1,023)</b>	<b>60,727</b>
Investments	l	17,449	–	–	–	(17,449)	–
Equity accounted investments	a, b, i, l	–	25,247	(240)	26	17	<b>25,050</b>
Investments in service contracts	l	–	–	–	–	17,432	<b>17,432</b>
Property, plant and equipment	a, d	75,932	(29,492)	–	(75)	–	<b>46,365</b>
Goodwill		11,986	–	–	–	–	<b>11,986</b>
Other intangible assets	a	4,315	(1,230)	–	–	–	<b>3,085</b>
Other non-current assets	a, b	11,053	(227)	(6,701)	–	–	<b>4,125</b>
Post-employment benefit assets	b	–	–	1,419	–	–	<b>1,419</b>
Long-term financial assets		3,505	–	–	–	–	<b>3,505</b>
Deferred income tax assets	b, d, m	2,864	–	1,860	(70)	1,023	<b>5,677</b>
<b>Total assets</b>		<b>215,000</b>	<b>(32,241)</b>	<b>(3,662)</b>	<b>274</b>	<b>–</b>	<b>179,371</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Short-term bank loans	a	2,274	4	–	–	–	<b>2,278</b>
Trade and other payables	a, b, g, n	36,637	(4,943)	(199)	(217)	(160)	<b>31,118</b>
Deferred revenue	a	981	(1)	–	–	–	<b>980</b>
Current income tax liabilities	a	4,113	(1,212)	–	–	–	<b>2,901</b>
Dividends payable	a	583	(1)	–	–	–	<b>582</b>
Future income taxes	g, m	1,394	–	–	4	(1,398)	–
Current portion of long-term debt	a	4,298	(1,728)	–	–	–	<b>2,570</b>
Provisions	d, g, n	93	–	–	489	160	<b>742</b>
		<b>50,373</b>	<b>(7,881)</b>	<b>(199)</b>	<b>276</b>	<b>(1,398)</b>	<b>41,171</b>
Long-term debt	a	29,588	(13,963)	–	–	–	<b>15,625</b>
Provisions	d	466	–	–	(312)	–	<b>154</b>
Deferred income tax liabilities	a, b, d, h, m	7,930	(4,116)	(409)	111	1,398	<b>4,914</b>
Post-employment benefit obligations	b	–	–	6,466	–	–	<b>6,466</b>
Other non-current liabilities	a, b	4,162	(108)	(2,870)	–	–	<b>1,184</b>
<b>Total liabilities</b>		<b>92,519</b>	<b>(26,068)</b>	<b>2,988</b>	<b>75</b>	<b>–</b>	<b>69,514</b>
Non-controlling interests	a, o	10,600	(6,173)	–	(35)	(4,392)	–
<b>Equity</b>							
Share capital		15,130	–	–	–	–	<b>15,130</b>
Retained earnings	b, c, d, g, h, i	99,675	–	(6,650)	(2,323)	–	<b>90,702</b>
Accumulated other comprehensive loss	c	(2,924)	–	–	2,557	–	<b>(367)</b>
Equity attributable to owners of the Company		<b>111,881</b>	<b>–</b>	<b>(6,650)</b>	<b>234</b>	<b>–</b>	<b>105,465</b>
Non-controlling interests	o	–	–	–	–	4,392	<b>4,392</b>
<b>Total equity</b>		<b>111,881</b>	<b>–</b>	<b>(6,650)</b>	<b>234</b>	<b>4,392</b>	<b>109,857</b>
<b>Total liabilities and equity</b>		<b>215,000</b>	<b>(32,241)</b>	<b>(3,662)</b>	<b>274</b>	<b>–</b>	<b>179,371</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 12.2. Reconciliation of Total Comprehensive Income

### Reconciliation of the CGAAP Consolidated Interim Statements of Earnings presented by nature of expense to the IFRS Condensed Consolidated Interim Statements of Earnings

The IFRS condensed consolidated interim statements of earnings for the three-month period ended September 25, 2010, can be reconciled to the CGAAP consolidated interim statements of earnings with expenses recognized in profit or loss using a classification based on their nature as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Reclassification by nature of expense \$	CGAAP by nature of expense \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS \$
Revenue		76,047	(124)	75,923	(20,934)	–	–	54,989
Interest revenue from investments in service contracts		–	411	411	–	–	–	411
Operating expense		(63,103)	63,103	–	–	–	–	–
Employee benefits expense	a, b	–	(35,065)	(35,065)	6,410	291	–	(28,364)
Equipment and supplies expense	a	–	(15,499)	(15,499)	2,630	–	–	(12,869)
Rental expense	a	–	(9,430)	(9,430)	4,117	–	–	(5,313)
Other expenses	a, d, g	–	(3,076)	(3,076)	706	–	(21)	(2,391)
Amortization of property, plant and equipment		(2,586)	2,586	–	–	–	–	–
Amortization of intangible and other assets		(295)	295	–	–	–	–	–
Depreciation and amortization expense	a, d	–	(2,914)	(2,914)	813	–	2	(2,099)
Interest on long-term debt		(444)	444	–	–	–	–	–
Other interest expense		(137)	137	–	–	–	–	–
Interest revenue from investments in services contracts		411	(411)	–	–	–	–	–
Foreign exchange loss		(90)	90	–	–	–	–	–
Gain on disposal of property, plant and equipment		8	(8)	–	–	–	–	–
Share of profit of equity accounted investments	a, b, g, i	–	5	5	3,728	12	(732)	3,013
Other gains and losses	a	–	(82)	(82)	49	–	–	(33)
<b>Operating profit (income from operations)</b>		<b>9,811</b>	<b>462</b>	<b>10,273</b>	<b>(2,481)</b>	<b>303</b>	<b>(751)</b>	<b>7,344</b>
Share in the results of companies subject to significant influence		5	(5)	–	–	–	–	–
Finance expense	a	–	(581)	(581)	260	–	–	(321)
Finance income	a	–	124	124	(9)	–	–	115
<b>Profit before income taxes (income before income taxes and non-controlling interests)</b>		<b>9,816</b>	<b>–</b>	<b>9,816</b>	<b>(2,230)</b>	<b>303</b>	<b>(751)</b>	<b>7,138</b>
Income taxes	a	(2,895)	–	(2,895)	1,785	(100)	–	(1,210)
<b>Profit before non-controlling interests</b>		<b>6,921</b>	<b>–</b>	<b>6,921</b>	<b>(445)</b>	<b>203</b>	<b>(751)</b>	<b>5,928</b>
Non-controlling interests	o	(1,051)	1,051	–	–	–	–	–
<b>Profit for the period</b>		<b>5,870</b>	<b>1,051</b>	<b>6,921</b>	<b>(445)</b>	<b>203</b>	<b>(751)</b>	<b>5,928</b>
Profit attributable to:								
Owners of the Company		5,870	–	5,870	–	203	(751)	5,322
Non-controlling interests	o	–	1,051	1,051	(445)	–	–	606
<b>Profit for the period</b>		<b>5,870</b>	<b>1,051</b>	<b>6,921</b>	<b>(445)</b>	<b>203</b>	<b>(751)</b>	<b>5,928</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of the CGAAP Consolidated Interim Statements of Comprehensive Income to the IFRS Condensed Consolidated Interim Statements of Comprehensive Income

The IFRS condensed consolidated interim statements of comprehensive income for the three-month period ended September 25, 2010, can be reconciled to the CGAAP consolidated interim statements of comprehensive income as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments and reclassifications \$	IFRS \$
<b>Profit for the period</b>		6,921	(445)	203	(751)	<b>5,928</b>
Other comprehensive income						
Currency translation differences arising on translation of foreign operations		(65)	-	-	-	<b>(65)</b>
Other comprehensive income for the period, net of income taxes		(65)	-	-	-	<b>(65)</b>
<b>Total comprehensive income for the period</b>		<b>6,856</b>	<b>(445)</b>	<b>203</b>	<b>(751)</b>	<b>5,863</b>
Total comprehensive income attributable to:						
Owners of the Company		5,805	-	203	(751)	<b>5,257</b>
Non-controlling interests	o	1,051	(445)	-	-	<b>606</b>
<b>Total comprehensive income for the period</b>		<b>6,856</b>	<b>(445)</b>	<b>203</b>	<b>(751)</b>	<b>5,863</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of the CGAAP Consolidated Interim Statements of Earnings presented by nature of expense to the IFRS Condensed Consolidated Interim Statements of Earnings

The IFRS condensed consolidated interim statements of earnings for the nine-month period ended September 25, 2010, can be reconciled to the CGAAP consolidated interim statements of earnings with expenses recognized in profit or loss using a classification based on their nature as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Reclassification by nature of expense \$	CGAAP by nature of expense \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS \$
Revenue		185,023	(280)	184,743	(41,142)	–	–	<b>143,601</b>
Interest revenue from investments in service contracts		–	1,304	1,304	–	–	–	<b>1,304</b>
Operating expense		(160,940)	160,940	–	–	–	–	–
Employee benefits expense	a, b	–	(89,275)	(89,275)	16,041	483	–	<b>(72,751)</b>
Equipment and supplies expense	a	–	(40,215)	(40,215)	5,808	–	–	<b>(34,407)</b>
Rental expense	a	–	(22,606)	(22,606)	7,145	–	–	<b>(15,461)</b>
Other expenses	a, d, g	–	(8,749)	(8,749)	1,540	–	(57)	<b>(7,266)</b>
Amortization of property, plant and equipment		(7,394)	7,394	–	–	–	–	–
Amortization of intangible and other assets		(1,098)	1,098	–	–	–	–	–
Depreciation and amortization expense	a, d	–	(8,587)	(8,587)	2,341	–	8	<b>(6,238)</b>
Interest on long-term debt		(1,355)	1,355	–	–	–	–	–
Other interest expense		(252)	252	–	–	–	–	–
Interest revenue from investments in services contracts		1,304	(1,304)	–	–	–	–	–
Foreign exchange loss		(273)	273	–	–	–	–	–
Gain on disposal of property, plant and equipment		50	(50)	–	–	–	–	–
Share of profit of equity accounted investments	a, b, g, i	–	14	14	4,006	31	310	<b>4,361</b>
Other gains and losses	a	–	(223)	(223)	45	–	–	<b>(178)</b>
Operating profit ( <i>income from operations</i> )		15,065	1,341	16,406	(4,216)	514	261	<b>12,965</b>
Share in the results of companies subject to significant influence		14	(14)	–	–	–	–	–
Finance expense	a	–	(1,607)	(1,607)	700	–	–	<b>(907)</b>
Finance income	a	–	280	280	(20)	–	–	<b>260</b>
Profit before income taxes ( <i>income before income taxes and non-controlling interests</i> )		15,079	–	15,079	(3,536)	514	261	<b>12,318</b>
Income taxes	a, b	(4,788)	–	(4,788)	2,281	(172)	–	<b>(2,679)</b>
Profit before non-controlling interests		10,291	–	10,291	(1,255)	342	261	<b>9,639</b>
Non-controlling interests	o	(2,084)	2,084	–	–	–	–	–
<b>Profit for the period</b>		<b>8,207</b>	<b>2,084</b>	<b>10,291</b>	<b>(1,255)</b>	<b>342</b>	<b>261</b>	<b>9,639</b>
Profit attributable to:								
Owners of the Company		8,207	–	8,207	–	342	261	<b>8,810</b>
Non-controlling interests	o	–	2,084	2,084	(1,255)	–	–	<b>829</b>
<b>Profit for the period</b>		<b>8,207</b>	<b>2,084</b>	<b>10,291</b>	<b>(1,255)</b>	<b>342</b>	<b>261</b>	<b>9,639</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of the CGAAP Consolidated Interim Statements of Comprehensive Income to the IFRS Condensed Consolidated Interim Statements of Comprehensive Income

The IFRS condensed consolidated interim statements of comprehensive income for the nine-month period ended September 25, 2010, can be reconciled to the CGAAP consolidated interim statements of comprehensive income as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments and reclassifications \$	IFRS \$
<b>Profit for the period</b>		10,291	(1,255)	342	261	<b>9,639</b>
Other comprehensive income						
Currency translation differences arising on translation of foreign operations		(163)	-	-	-	<b>(163)</b>
Other comprehensive loss for the period, net of income taxes		(163)	-	-	-	<b>(163)</b>
<b>Total comprehensive income for the period</b>		<b>10,128</b>	<b>(1,255)</b>	<b>342</b>	<b>261</b>	<b>9,476</b>
Total comprehensive income attributable to:						
Owners of the Company		8,044	-	342	261	<b>8,647</b>
Non-controlling interests	o	2,084	(1,255)	-	-	<b>829</b>
<b>Total comprehensive income for the period</b>		<b>10,128</b>	<b>(1,255)</b>	<b>342</b>	<b>261</b>	<b>9,476</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of the CGAAP Consolidated Interim Statements of Earnings to the IFRS Condensed Consolidated Interim Statements of Earnings

The IFRS condensed consolidated interim statements of earnings for the year ended December 31, 2010, can be reconciled to the CGAAP consolidated interim statements of earnings with expenses recognized in profit or loss using a classification based on their nature as follows:

(in thousands of Canadian dollars)	Note 12.5	Reclassification by nature of expense		CGAAP by nature of expense	Joint venture adjustment	Post-employment benefits	Other IFRS adjustments	IFRS
		CGAAP \$	\$	\$	\$	\$	\$	\$
Revenue		261,865	(448)	261,417	(57,075)	–	–	204,342
Interest revenue from investments in service contracts		–	1,691	1,691	–	–	–	1,691
Operating expense		(224,267)	224,267	–	–	–	–	–
Employee benefits expense	a, b	–	(125,422)	(125,422)	22,533	454	–	(102,435)
Equipment and supplies expense	a	–	(56,556)	(56,556)	8,402	–	–	(48,154)
Rental expense	a	–	(30,570)	(30,570)	9,302	–	–	(21,268)
Other expenses	a, d, g	–	(11,719)	(11,719)	1,865	–	(67)	(9,921)
Amortization of property, plant and equipment		(10,019)	10,019	–	–	–	–	–
Amortization of intangible and other assets		(1,702)	1,702	–	–	–	–	–
Depreciation and amortization expense	a, d	–	(11,721)	(11,721)	3,330	–	13	(8,378)
Interest on long-term debt		(1,832)	1,832	–	–	–	–	–
Other interest expense		(430)	430	–	–	–	–	–
Interest revenue from investments in services contracts		1,691	(1,691)	–	–	–	–	–
Foreign exchange loss		(541)	541	–	–	–	–	–
Gain on disposal of property, plant and equipment		132	(132)	–	–	–	–	–
Share of profit of equity accounted investments	a, b, g, i	–	19	19	6,081	39	(67)	6,072
Other gains and losses	a	–	(409)	(409)	51	–	–	(358)
Operating profit (income from operations)		24,897	1,833	26,730	(5,511)	493	(121)	21,591
Share in the results of companies subject to significant influence		19	(19)	–	–	–	–	–
Finance expense	a	–	(2,262)	(2,262)	929	–	–	(1,333)
Finance income	a	–	448	448	(50)	–	–	398
Profit before income taxes (income before income taxes and non-controlling interests)		24,916	–	24,916	(4,632)	493	(121)	20,656
Income taxes	a, b, d, g, h	(7,904)	–	(7,904)	2,954	(174)	92	(5,032)
Profit before non-controlling interests		17,012	–	17,012	(1,678)	319	(29)	15,624
Non-controlling interests	o	(2,863)	2,863	–	–	–	–	–
<b>Profit for the period</b>		14,149	2,863	17,012	(1,678)	319	(29)	15,624
Profit attributable to:								
Owners of the Company		14,149	–	14,149	–	319	(48)	14,420
Non-controlling interests	o	–	2,863	2,863	(1,678)	–	19	1,204
<b>Profit for the period</b>		14,149	2,863	17,012	(1,678)	319	(29)	15,624

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of the CGAAP Consolidated Interim Statements of Comprehensive Income to the IFRS Condensed Consolidated Interim Statements of Comprehensive Income

The IFRS condensed consolidated interim statements of comprehensive income for the reporting year ended December 31, 2010, can be reconciled to the CGAAP consolidated interim statements of comprehensive income with expenses presented using a classification based on their nature as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments and reclassifications \$	IFRS \$
<b>Profit for the period</b>		17,012	(1,678)	319	(29)	<b>15,624</b>
Other comprehensive income						
Currency translation differences arising on translation of foreign operations		(367)	-	-	-	<b>(367)</b>
Actuarial gains (losses) on retirement benefits	b	-	-	(2,461)	-	<b>(2,461)</b>
Income taxes on actuarial gains (losses) on retirement benefits	b	-	-	691	-	<b>691</b>
Share of other comprehensive income of equity accounted investments						
Actuarial gains (losses) on retirement benefits	b	-	-	(138)	-	<b>(138)</b>
Income taxes on actuarial gains (losses) on retirement benefits	b	-	-	37	-	<b>37</b>
Other comprehensive loss for the period, net of income taxes		(367)	-	(1,871)	-	<b>(2,238)</b>
<b>Total comprehensive income for the period</b>		<b>16,645</b>	<b>(1,678)</b>	<b>(1,552)</b>	<b>(29)</b>	<b>13,386</b>
Total comprehensive income attributable to:						
Owners of the Company		13,782	-	(1,552)	(48)	<b>12,182</b>
Non-controlling interests	o	2,863	(1,678)	-	19	<b>1,204</b>
<b>Total comprehensive income for the period</b>		<b>16,645</b>	<b>(1,678)</b>	<b>(1,552)</b>	<b>(29)</b>	<b>13,386</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## 12.3. Reconciliation of Cash Flows

### Reconciliation of Condensed Consolidated Interim Statements of Cash Flows as at September 25, 2010

The IFRS condensed consolidated interim statements of cash flows for the nine-month period ended September 25, 2010, can be reconciled to the amounts previously reported in accordance with CGAAP as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS reclassifications \$	IFRS \$
<b>Operating activities</b>							
Net income		10,291	(1,255)	342	261	–	9,639
Items not affecting cash	a, b, g, i, n	10,165	(6,460)	(622)	13	(101)	2,995
Cash provided from operations		20,456	(7,715)	(280)	274	(101)	12,634
Dividends received from equity accounted investments	a	574	1,252	–	–	–	1,826
Contributions to defined benefit retirement plans	a, b	(1,099)	32	137	–	–	(930)
Settlement of provisions	g	–	–	–	(254)	–	(254)
Changes in non-cash working capital items	a, b, g, n	(5,228)	2,921	143	(20)	101	(2,083)
Income taxes paid	a	(1,601)	246	–	–	–	(1,355)
		13,102	(3,264)	–	–	–	9,838
<b>Financing activities</b>							
Net change in short-term bank loans	a	5,821	(2,089)	–	–	–	3,732
Repayment of long-term debt	a	(12,806)	746	–	–	–	(12,060)
Issuance of Class B shares		4	–	–	–	–	4
Interest paid	a	(1,482)	675	–	–	–	(807)
Repurchase of Class B shares		(1,530)	–	–	–	–	(1,530)
Repurchase of Class A shares		(237)	–	–	–	–	(237)
Dividends paid		(1,606)	–	–	–	–	(1,606)
		(11,836)	(668)	–	–	–	(12,504)
<b>Investing activities</b>							
Customer repayment of investments in service contracts		3,083	–	–	–	–	3,083
Interest received	a	1,590	(20)	–	–	–	1,570
Investments in service contracts		(38)	–	–	–	–	(38)
Cash acquired from business acquisitions	a	71	(26)	–	–	–	45
Business acquisitions		(1,320)	–	–	–	–	(1,320)
Acquisition of short-term investments	a	(4,500)	4,500	–	–	–	–
Disposal of short-term investments	a	1,541	(49)	–	–	–	1,492
Acquisition of property, plant and equipment	a	(4,714)	1,350	–	–	–	(3,364)
Proceeds from disposal of property, plant and equipment	a	103	(27)	–	–	–	76
Acquisition of intangible assets	a	(116)	63	–	–	–	(53)
Acquisition of other assets		(1,952)	–	–	–	–	(1,952)
		(6,252)	5,791	–	–	–	(461)
<b>Net change in cash and cash equivalents</b>							
Cash and cash equivalents, beginning of period	a	17,297	(7,648)	–	–	–	9,649
Effect of exchange rate on balances held in foreign currencies of foreign operations		200	–	–	–	–	200
<b>Cash and cash equivalents, end of period</b>		12,511	(5,789)	–	–	–	6,722

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

Logistec Corporation

## Reconciliation of Condensed Consolidated Interim Statements of Cash Flows as at December 31, 2010

The IFRS condensed consolidated interim statements of cash flows for the reporting year ended December 31, 2010, can be reconciled to the amounts previously reported in accordance with CGAAP as follows:

<i>(in thousands of Canadian dollars)</i>	Note 12.5	CGAAP \$	Joint venture adjustment \$	Post- employment benefits \$	Other IFRS adjustments \$	IFRS reclassifications \$	IFRS \$
<b>Operating activities</b>							
Profit for the period		17,012	(1,678)	319	(29)	–	15,624
Items not affecting cash and cash equivalents	a, b, g, i, n	10,866	(9,912)	(462)	369	(121)	740
Cash generated from operations		27,878	(11,590)	(143)	340	(121)	16,364
Dividends received from equity accounted investments	a	574	1,511	–	–	–	2,085
Contributions to defined benefit retirement plans	a, b	(1,413)	37	179	–	–	(1,197)
Settlement of provisions	g	–	–	–	(274)	–	(274)
Changes in non-cash working capital items	a, b, g, n	6,061	80	(36)	(66)	121	6,160
Income taxes paid	a	(2,820)	572	–	–	–	(2,248)
		30,280	(9,390)	–	–	–	20,890
<b>Financing activities</b>							
Net change in short-term bank loans	a	(774)	4	–	–	–	(770)
Issuance of long-term debt, net of transaction costs		995	–	–	–	–	995
Repayment of long-term debt	a	(18,820)	1,944	–	–	–	(16,876)
Issuance of Class B shares		4	–	–	–	–	4
Interest paid	a	(2,108)	884	–	–	–	(1,224)
Repurchase of Class B shares		(1,719)	–	–	–	–	(1,719)
Repurchase of Class A shares		(294)	–	–	–	–	(294)
Dividends paid		(2,192)	–	–	–	–	(2,192)
		(24,908)	2,832	–	–	–	(22,076)
<b>Investing activities</b>							
Customer repayment of investments in service contracts		4,156	–	–	–	–	4,156
Interest received	a	2,126	(63)	–	–	–	2,063
Investments in service contracts		(38)	–	–	–	–	(38)
Cash acquired from business acquisitions	a	71	(26)	–	–	–	45
Business acquisitions		(1,477)	–	–	–	–	(1,477)
Investments in joint ventures	a	–	(3)	–	–	–	(3)
Disposal of short-term investments	a	1,623	(49)	–	–	–	1,574
Acquisition of property, plant and equipment	a	(7,494)	3,158	–	–	–	(4,336)
Proceeds from disposal of property, plant and equipment	a	139	(36)	–	–	–	103
Acquisition of intangible assets	a	(360)	69	–	–	–	(291)
Acquisition of other assets		(1,957)	–	–	–	–	(1,957)
		(3,211)	3,050	–	–	–	(161)
Net change in cash and cash equivalents	a	2,161	(3,508)	–	–	–	(1,347)
Cash and cash equivalents, beginning of period	a	17,297	(7,648)	–	–	–	9,649
Effect of exchange rate on balances held in foreign currencies of foreign operations		80	–	–	–	–	80
<b>Cash and cash equivalents, end of period</b>		<b>19,538</b>	<b>(11,156)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,382</b>

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

## 12.4. Presentation Differences

Certain presentation differences between CGAAP and IFRS have no impact on reported profit or total equity. Some assets and liabilities have been reclassified into other line items under IFRS at transition date. A reclassification has been recorded for investments (see Note 12.5 l of the notes to Q3 2011 condensed consolidated interim financial statements), income taxes (see Note 12.5 m), provisions (see Note 12.5 n), and non-controlling interests (see Note 12.5 o), which are shown in the previous reconciliations. Some line items are described differently (renamed) under IFRS compared to previous CGAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows:

CGAAP	IFRS
Current assets	Current assets
Accounts receivable	Trade and other receivables
Income taxes receivable	Current income tax assets
Non-current assets	Non-current assets
Other assets	Other non-current assets
Future income taxes	Deferred income tax assets
Current liabilities	Current liabilities
Accounts payable and accrued liabilities	Trade and other payables
Income taxes payable	Current income tax liabilities
Current portion of asset retirement obligations	Provisions
Non-current liabilities	Non-current liabilities
Asset retirement obligations	Provisions
Future income taxes	Deferred income tax liabilities
Other liabilities	Other non-current liabilities
Equity	Equity
Capital stock	Share capital

## 12.5. Notes to Reconciliations

### *Changes in Accounting Policies*

The following notes explain the significant differences between the previous CGAAP accounting policies and the current IFRS accounting policies applied by the Company. Only the differences having an impact on the Company are described below. The following is not a complete summary of all of the differences between CGAAP and IFRS. Relative to the impacts on the Company, the descriptive caption next to each numbered item below corresponds to the same numbered and descriptive caption in the tables above, which reflect the quantitative impacts from each change. Unless a quantitative impact was noted below, the impact from the change was not material to the Company.

#### **a) Joint Ventures**

**CGAAP** – Investments in joint ventures are accounted for using the proportionate consolidation method.

**IFRS** – IAS 31, “Interests in Joint Ventures”, currently permits the proportionate consolidation or equity method to account for interests in joint ventures. However, there was an IFRS exposure draft which recommended that only the equity method be permitted for accounting for joint ventures and the exposure draft prohibited the use of proportionate consolidation. If the recommendations of the exposure draft were to be adopted as expected, then the Company would have been required

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

to account for the joint ventures in which it has an interest, using the equity method rather than proportionate consolidation. In this regard, the Company had elected to use the equity method to account for its interests in joint ventures. This prohibition has since been confirmed with the issuance of IFRS 11, as previously described in Note 3 of the notes to Q3 2011 condensed consolidated interim financial statements.

The deconsolidation of the CGAAP balances, results and cash flows is presented in the reconciliations included in Notes 12.1 to 12.3 as joint venture adjustments. The reconciliation of the condensed consolidated interim statements of financial position also includes the reclassification of the balances to equity accounted investments.

The other adjustments related to IFRS transition are presented under post-employment benefits, other IFRS adjustments and IFRS reclassifications.

The Company's share of assets and liabilities, and share of profit of equity accounted joint ventures are summarized in Note 7 of the notes to Q3 2011 condensed consolidated interim financial statements.

## **b) Post-Employment Benefits**

### ***Actuarial Gains and Losses – Transition Date***

**CGAAP** – Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a corridor approach. The corridor is 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. This excess of 10% is amortized as a component of pension expense on a straight-line basis over the average remaining service period of active employees. Actuarial gains and losses below the 10% corridor are deferred off-balance sheet.

**IFRS** – IFRS 1 provides the option to retrospectively apply IAS 19, "Employee Benefits", for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under CGAAP in opening retained earnings at transition date. The Company elected to recognize all cumulative actuarial gains and losses that existed at transition date in opening retained earnings for all of its employee benefit retirement plans. As a consequence of this election, the unrecognized actuarial gains and losses exceeding the corridor that were recognized as employee benefits expense in 2010 under previous CGAAP were reversed.

### ***Actuarial Gains and Losses – Subsequent Measurement***

The Company elected to recognize all actuarial gains and losses immediately in the statement of comprehensive income without recycling to the statement of earnings in subsequent periods. As a result, actuarial gains and losses are not amortized to the statement of earnings, but rather are recorded directly to comprehensive income at the end of each period. As a result, all actuarial gains and losses arising during 2010 were recognized directly in other comprehensive income.

### ***Past Service Costs***

**CGAAP** – Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

**IFRS** – IAS 19 requires past service costs of defined benefit retirement plans to be expensed on an accelerated basis, the vested past service costs are expensed immediately and unvested past service costs are recognized on a straight-line basis over the expected average remaining service period until the benefits become vested.

## **Post-Employment Benefit Assets**

**CGAAP** – When a defined benefit retirement plan gives rise to a post-employment benefit asset, a valuation allowance is recognized for any excess of the accrued benefit asset over the expected future benefit. Post-employment benefit assets are presented in the balance sheet, net of valuation allowance. A change in the valuation allowance is recognized in earnings for the period in which the change occurs.

**IFRS** – Similar to CGAAP, IFRS limits the recognition of the net benefit asset under certain circumstances to the amount that is recoverable. Since the Company has elected to recognize all actuarial gains and losses in other comprehensive income, changes in valuation allowance are recognized in other comprehensive income in the period in which the changes occurred. Furthermore, under certain circumstances, an additional minimum liability could be recognized under the rules of International Financial Reporting Interpretations Committee IFRIC 14, “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction”. Changes to this amount are recorded directly in equity. The Company adjusted its pension expense to reflect this treatment.

The adjustment to opening retained earnings is a decrease of \$5,098,000, corresponding to a net decrease of \$2,352,000 in assets and a net increase of \$2,746,000 in liabilities. On transition date, the adjustments to opening retained earnings are summarized as follows:

Recognition of cumulative actuarial losses	(5,899)
Recognition of vested past service costs	(376)
Recognition of an additional minimum liability and other	(233)
Adjustments related to equity accounted investments	(341)
Adjustments to deferred income taxes	1,751
Total	(5,098)

As at September 25, 2010, a decrease in the pension expense of \$483,000 (\$342,000, net of income taxes), was recognized in addition to the adjustments made on transition date.

As at December 31, 2010, a decrease in the pension expense in the amount of \$454,000 (\$319,000, net of income taxes) was recognized for the year in addition to the adjustments made on transition date. In accordance with the Company’s elected accounting policy, actuarial losses of \$2,461,000 (\$1,871,000, net of income taxes) were recognized in the statement of comprehensive income.

The adjustments relating to post-employment benefits are presented in the reconciliations included in Notes 12.1 to 12.3 under the header post-employment benefits.

## **c) Cumulative Translation Differences**

Retrospective application of IFRS would require the Company to determine cumulative translation differences in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, from the date a subsidiary or equity method investee with a functional currency different from the Company’s reporting currency was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset cumulative

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

translation losses amounting to \$2,557,000, and previously recognized in accumulated other comprehensive income to zero in opening retained earnings at transition date.

The adjustment is presented in the reconciliations under the header other IFRS adjustments.

## **d) Asset Retirement Obligations Included in the Cost of Property, Plant and Equipment**

**CGAAP** – Asset retirement obligations are recognized when there is a legally enforceable obligation and they are measured at fair value.

A change in the discount rate alone did not result in a remeasurement of asset retirement obligations.

**IFRS** – Asset retirement obligations are recognized on the basis of a legal or constructive obligation arising from a past event and are measured at the best estimate of the asset retirement obligations.

A change in the current market-based discount rate will result in a change in the measurement of the provision.

Retrospective application of IFRS would require the Company to determine the change in asset retirement obligations, adjust the cost of the asset to which it relates, and adjust depreciable amount from the date such liabilities first arose. IFRS 1 allows entities on transition to determine what depletion of the asset retirement obligation would have been based on the fair value under IFRS when the corresponding liability was incurred. The Company elected to apply the exemption. As such, the Company remeasured asset retirement obligations on transition date, under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose and recalculated the accumulated depreciation.

The effect of the adjustments on opening retained earnings was an increase amounting to \$244,000, composed of a decrease of \$158,000 in total assets and a decrease of \$402,000 in total liabilities. The adjustment to total assets was composed of a decrease of \$88,000 in property, plant and equipment and of a decrease of \$70,000 in deferred income tax assets. The adjustment to total liabilities derived from a decrease of \$93,000 in current provisions, a decrease of \$297,000 in non-current provisions and a decrease of \$12,000 in deferred income tax liabilities.

The additional adjustments for the period ended September 25, 2010, and the year ended December 31, 2010, were not significant.

The adjustments are presented in the reconciliations under the header other IFRS adjustments.

## **e) Property, Plant and Equipment**

### ***Componentization***

**CGAAP** – The requirement to identify major components of an asset and amortize separately each component is less explicit under CGAAP.

**IFRS** – IFRS explicitly require that major components of an asset be depreciated separately and depreciation commences when the asset is available for use. The analysis performed by the Company revealed no major components with different estimated useful lives.

### ***Subsequent Measurement***

Under IAS 16, "Property, Plant and Equipment", an entity is required to choose, for each class of property, plant and equipment, to use either the cost model (similar with CGAAP) or the revaluation

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

model. The Company elected to use the cost model in order to avoid significant impact on the measurement of property, plant and equipment.

## **f) Impairment of Non-Financial Assets**

**CGAAP** – Impairment testing compares the asset's carrying value with undiscounted future cash flows to determine whether an impairment exists. If the carrying value exceeds the amount recoverable, the carrying values are written down to the estimated fair value.

**IFRS** – IAS 36, "Impairment of Assets", uses a one-step approach for both testing and measurement of impairment, with the asset's carrying value compared directly with its recoverable amount (the higher of fair value less costs to sell and value in use, which is usually based on discounted cash flows).

Another significant difference is that under IAS 36, when it is not possible to estimate the recoverable amount of an individual asset, the assets are tested for impairment at the cash-generating unit level, which is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. By contrast, the level of impairment testing under CGAAP may be the asset group level, the reporting unit or the asset itself depending on the nature of the asset being tested.

Those two main differences may potentially result in the recognition of more write-downs as recoverability of carrying values of assets have to be supported by discounted cash flows as opposed to undiscounted cash flow basis under CGAAP and because impairment testing is conducted at a lower level of asset grouping.

However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. CGAAP prohibits reversal of impairment losses.

## **g) Provisions**

**CGAAP** – A provision is recognized if it is likely that a future event will confirm that a liability has been incurred and a reasonable estimate can be made of the amounts involved.

**IFRS** – Under IAS 37, a provision is recognized if there is a probable outflow of resources and the amount can be estimated reliably. Probable is a recognition threshold lower than likely.

Where some or all of the amounts required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

As a result, on transition date, a separate asset of \$230,000 relating to reimbursements and an additional liability of \$152,000 were recognized, in relation with the provision for claims, for a net increase of \$78,000 in opening retained earnings. The additional liability was composed of a decrease of \$313,000 in trade and other payables, an increase of \$32,000 in future income tax liabilities, and an increase of \$433,000 in current provisions.

As at September 25, 2010, the separate asset relating to reimbursements was increased to \$360,000 and the additional liability recognized was increased to \$356,000, which represents the majority of the \$434,000 adjustment to provisions. This resulted in a net increase of \$4,000 in retained earnings. The adjustments to operating profit for the three-month and nine-month periods ended September 25, 2010 were not significant.

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

As at December 31, 2010, the separate asset relating to reimbursements was increased to \$393,000 and the additional liability recognized was increased to \$369,000 for a net increase of \$24,000 in retained earnings. The adjustment to operating profit for the year was not significant.

For the nine-month period ended September 25, 2010, additional cash flows of \$347,000 were recognized in items not affecting cash and cash equivalents, and a settlement of provisions amounting to \$254,000 was recognized.

For the year ended December 31, 2010, additional cash flows of \$422,000 were recognized in items not affecting cash and cash equivalents, and a settlement of provisions amounting to \$274,000 was recognized.

The adjustments are presented in the reconciliations under the header other IFRS adjustments.

## **h) Income Taxes**

**CGAAP** – In some situations, the tax basis of an asset is different depending on whether the asset is utilized or sold. Under CGAAP, in such cases, the tax basis of the asset is the higher of those amounts.

**IFRS** – Under IAS 12, “Income Taxes”, the tax basis of an asset is defined as the amount that will be deductible for tax purposes against any taxable economic benefit that will flow to an entity when it recovers the carrying amount of the asset. When the tax basis of an asset or tax rate applicable is different depending on whether the asset is utilized or sold, deferred income tax assets and liabilities are measured using the tax rate and the tax basis that are consistent with the expected manner of recovery or settlement of the asset.

The Company recalculated the deferred income taxes related to this difference in the standards and an additional deferred income tax liability of \$187,000 has been recognized in the opening statement of financial position for a net decrease of \$133,000 in opening retained earnings, after taking into account the portion attributable to non-controlling interests.

As at December 31, 2010, the deferred income tax liability recognized was decreased to \$123,000 for a net decrease of \$88,000 in retained earnings, after taking into account the portion attributable to non-controlling interests. The corresponding additional income tax expense of \$64,000 was recognized in the statement of earnings.

The adjustment is presented in the reconciliations under the header other IFRS adjustments.

## **i) Non-Controlling Interests**

**CGAAP** – Losses attributable to non-controlling interests cannot result in a deficit balance of non-controlling interests. Any further losses attributable to non-controlling interests are allocated to the parent.

**IFRS** – Losses are attributed to non-controlling interests even if this results in a deficit balance.

The application of this change in accounting policy represented the majority of the \$732,000 and \$310,000 adjustments to the share of profit of equity accounted investments for the three-month and nine-month periods ended September 25, 2010 and also the majority of the \$403,000 change in equity accounted investments. This change resulted in the recognition of a deficit balance of non-controlling interests for one of the Company’s joint ventures for the nine-month period ended September 25, 2010. However, as a profit was generated for the three-month period ended September 25, 2010, the share of profit of equity accounted investments was decreased by

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

\$711,000. To recognize losses attributable to non-controlling interests for the nine-month period ended September 25, 2010, the share of profit of equity accounted investments was increased by \$331,000, increasing equity accounted investments and retained earnings by the same amount.

For the period ended December 31, 2010, the change represented the majority of the \$67,000 total adjustment to the share of profit of equity accounted investments and in a portion of the \$26,000 change in equity accounted investments. As a profit was generated for the year, non-controlling interests were no longer in a deficit balance position. As a result, the Company decreased the share of profit of equity accounted investments by \$56,000, decreasing equity accounted investments and retained earnings by the same amount.

The adjustments made to cash flows were of the same amounts.

## **j) Other IFRS Optional Exemptions**

**Business Combinations** – IFRS 1 provides the option to apply IFRS 3, “Business Combinations”, retrospectively or prospectively from transition date. The retrospective basis would require restatement of all business combinations that occurred prior to transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to transition date and such business combinations have not been restated. Any goodwill arising on such business combinations before transition date has not been adjusted from the carrying value previously determined under CGAAP as a result of applying this exemption.

**Borrowing Costs** – IAS 23, “Borrowing Costs”, requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2009, or the date of transition to IFRS, whichever is later. Early adoption is permitted. The Company elected not to early adopt this accounting policy and use its transition date to start capitalizing borrowing costs. The adoption of this exemption had no impact on the condensed consolidated interim financial statements.

## **k) IFRS Mandatory Exceptions**

**Estimates** – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under CGAAP were not revised for application of IFRS, except where necessary to reflect any difference in accounting policies and unless there is objective evidence those estimates were in error.

**Non-Controlling Interests** – IFRS 1 requires an entity to prospectively attribute the total comprehensive income to the owners of the Company and to the non-controlling interests even if non-controlling interests would result in a deficit balance. It also requires an entity to apply prospectively the requirement for accounting for changes in the parent’s ownership interest in a subsidiary that do not result in a loss in control and the requirement for accounting for a loss in control over a subsidiary.

## ***Changes in Presentation and Reclassifications***

All reclassifications are presented in the reconciliations under the header IFRS reclassifications.

## **l) Investments**

**CGAAP** – The short-term portion and long-term portion of the Company’s investments in service contracts amounting to \$2,289,000 and \$19,435,000, respectively, were presented within the short-term investments and investments line items of the CGAAP balance sheet (\$2,211,000 and

# Notes to Q3 2011 Condensed Consolidated Interim Financial Statements

as at and for the nine months ended September 24, 2011, and September 25, 2010

(column figures are in thousands of Canadian dollars)

(unaudited)

\$16,468,000, respectively, as at September 25, 2010, and \$173,000 and \$17,432,000, respectively, as at December 31, 2010). The Company's investments in associates amounting to \$571,000 were presented within the investments line item of the CGAAP balance sheet (\$12,000 as at September 25, 2010, and \$17,000 as at December 31, 2010).

**IFRS** – Upon adoption of IFRS, the Company elected to reclassify investments in service contracts in separate line items of its condensed consolidated interim statements of financial position and to reclassify investments in associates in equity accounted investments.

## **m) Income Tax Reclassification**

**CGAAP** – Deferred income taxes are split between current and non-current components on the basis of either i) the underlying asset or liability or ii) the expected reversal of items not related to an asset or liability.

**IFRS** – All deferred income tax assets and liabilities are required to be classified as non-current.

## **n) Provisions**

**CGAAP** – No specific balance sheet presentation requirement exists under CGAAP for provisions, which are presented as part of accounts payable and accrued liabilities.

**IFRS** – Provisions that are liabilities of uncertain timing or amount are required to be presented in a separate line item in the consolidated statements of financial position. As a result, the Company reclassified provisions amounting to \$280,000 into provisions on transition date, \$180,000 as at September 25, 2010, and \$160,000 as at December 31, 2010. Cash flows of \$121,000 were reclassified from changes in non-cash working capital items to items not affecting cash and cash equivalents in the condensed consolidated interim statements of cash flows for the year ended December 31, 2010.

## **o) Non-Controlling Interests**

**CGAAP** – Non-controlling interests in the equity of a consolidated subsidiary are classified as a separate component between liabilities and equity in the balance sheet and as a component of net earnings within the income statement.

**IFRS** – Non-controlling interests are classified as a component of equity separate from the equity of the parent and are included in profit, but presented as an allocation of the profit for the period.



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

[www.logistec.com](http://www.logistec.com)

