



(Formerly TransForce Inc.)

## CONSOLIDATED FINANCIAL STATEMENTS

For the years ended  
December 31, 2016 and 2015

**KPMG LLP**

600 de Maisonneuve Blvd. West  
Suite 1500, Tour KPMG  
Montréal (Québec) H3A 0A3  
Canada

Telephone (514) 840-2100

Fax (514) 840-2187

Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of TFI International Inc. (formerly TransForce Inc.)

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

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



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*Opinion*

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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

February 16, 2017

Montréal, Canada

# TFI International Inc.

## Consolidated Financial Statements

Years ended December 31, 2016 and 2015

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**TFI International Inc.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2016 AND 2015**
*(in thousands of Canadian dollars)*

	Note	As at December 31, 2016	As at December 31, 2015
<b>Assets</b>			
Cash and cash equivalents		3,654	-
Trade and other receivables	7	569,181	507,872
Inventoried supplies		8,520	7,073
Current taxes recoverable		11,370	14,976
Prepaid expenses		38,746	29,961
Derivative financial instruments	24	741	11,375
Assets held for sale	6	1,850	27,746
Disposal group held for sale	6	-	219,403
<b>Current assets</b>		<b>634,062</b>	<b>818,406</b>
Property and equipment	9	1,395,071	981,861
Intangible assets	10	1,989,648	1,562,500
Other assets	11	42,809	8,143
Deferred tax assets	16	8,410	6,960
Derivative financial instruments	24	1,287	-
<b>Non-current assets</b>		<b>3,437,225</b>	<b>2,559,464</b>
<b>Total assets</b>		<b>4,071,287</b>	<b>3,377,870</b>
<b>Liabilities</b>			
Bank indebtedness		-	19,112
Trade and other payables	12, 2e)	476,545	438,059
Current taxes payable	2e)	57,717	10,875
Derivative financial instruments	24	2,376	3,063
Long-term debt	13	40,498	604,789
<b>Current liabilities</b>		<b>577,136</b>	<b>1,075,898</b>
Long-term debt	13	1,544,317	1,010,311
Employee benefits	14	14,282	13,761
Provisions	15	44,406	10,758
Derivative financial instruments	24	3,707	9,579
Deferred tax liabilities	16	423,342	234,823
Other financial liability		5,447	2,941
<b>Non-current liabilities</b>		<b>2,035,501</b>	<b>1,282,173</b>
<b>Total liabilities</b>		<b>2,612,637</b>	<b>2,358,071</b>
<b>Equity</b>			
Share capital	17	723,390	764,343
Contributed surplus	17, 19	20,230	17,819
Accumulated other comprehensive income		51,977	46,542
Retained earnings	2e)	663,053	191,095
<b>Equity attributable to owners of the Company</b>		<b>1,458,650</b>	<b>1,019,799</b>
Operating leases, contingencies and letters of credit	25		
Subsequent event	27		
<b>Total liabilities and equity</b>		<b>4,071,287</b>	<b>3,377,870</b>

The notes on pages 6 to 52 are an integral part of these consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_  
(signed) Director  
Alain Bédard

\_\_\_\_\_  
(signed) Director  
André Bérard

**TFI International Inc.**
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**
*(In thousands of Canadian dollars, except per share amounts)*

	Note	2016	2015
Revenue		<b>3,704,488</b>	3,630,863
Fuel surcharge		<b>320,720</b>	399,026
		<b>4,025,208</b>	4,029,889
Materials and services expenses	20	<b>2,352,594</b>	2,385,971
Personnel expenses	20	<b>998,031</b>	978,458
Other operating expenses	20	<b>243,713</b>	240,234
		<b>3,594,338</b>	3,604,663
<b>Operating income before depreciation, amortization and gain on sales</b>		<b>430,870</b>	425,226
Depreciation of property and equipment	20	<b>139,439</b>	129,096
Amortization of intangible assets	20	<b>53,647</b>	47,130
Gain on sale of property and equipment	20	<b>(20,429)</b>	(23,565)
Gain on sale of assets held for sale	20	<b>-</b>	(3,896)
<b>Operating income</b>		<b>258,213</b>	276,461
Finance income	22	<b>(4,832)</b>	(1,894)
Finance costs	22	<b>59,714</b>	77,599
Net finance costs		<b>54,882</b>	75,705
Income before income tax		<b>203,331</b>	200,756
Income tax expense	23	<b>46,272</b>	55,024
Net income from continuing operations		<b>157,059</b>	145,732
Net income from discontinued operations	6	<b>482,520</b>	17,705
<b>Net income for the year attributable to owners of the Company</b>		<b>639,579</b>	163,437
Earnings per share attributable to owners of the Company			
Basic earnings per share	18	<b>6.83</b>	1.63
Diluted earnings per share	18	<b>6.70</b>	1.60
Earnings per share from continuing operations attributable to owners of the Company			
Basic earnings per share	18	<b>1.68</b>	1.45
Diluted earnings per share	18	<b>1.64</b>	1.43

The notes on pages 6 to 52 are an integral part of these consolidated financial statements.

*(In thousands of Canadian dollars)*

	2016	2015
<b>Net income for the year attributable to owners of the Company</b>	<b>639,579</b>	<b>163,437</b>
Other comprehensive income (loss)		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	(24,788)	116,881
Net investment hedge, net of tax	22,373	(98,988)
Changes in fair value of cash flow hedge, net of tax	9,125	-
Employee benefits, net of tax	(221)	-
Unrealized gain on investment in equity securities available for sale, net of tax	923	649
Reclassification to income of accumulated unrealized gain on investment in equity securities available for sale, net of tax	(923)	(649)
Items that may never be reclassified to income or loss in future years:		
Defined benefit plan remeasurement gains (losses), net of tax	407	(338)
Items directly reclassified to retained earnings:		
Realized loss on investments, net of tax	(260)	-
Unrealized loss on investments measured at fair value through OCI, net of tax	(1,054)	-
<b>Other comprehensive income for the year, net of tax</b>	<b>5,582</b>	<b>17,555</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>645,161</b>	<b>180,992</b>

The notes on pages 6 to 52 are an integral part of these consolidated financial statements.

**TFI International Inc.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2016 AND 2015**
*(In thousands of Canadian dollars)*

	Note	Share capital	Contributed surplus	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Accumulated unrealized loss on investment in equity securities	Retained earnings	Total equity attributable to owners of the Company
Balance as at December 31, 2015	2e)	764,343	17,819	-	-	46,542	-	191,095	1,019,799
Net income for the year		-	-	-	-	-	-	639,579	639,579
Other comprehensive (loss) income, net of tax		-	-	(221)	9,125	(2,415)	(1,054)	147	5,582
Total comprehensive (loss) income for the year		-	-	(221)	9,125	(2,415)	(1,054)	639,726	645,161
Share-based payment transactions	19	-	6,164	-	-	-	-	-	6,164
Stock options exercised	17, 19	8,259	(1,742)	-	-	-	-	-	6,517
Dividends to owners of the Company		-	-	-	-	-	-	(64,867)	(64,867)
Repurchase of own shares	17	(50,478)	-	-	-	-	-	(100,722)	(151,200)
Restricted share units exercised	19	1,266	(2,011)	-	-	-	-	(2,179)	(2,924)
Total transactions with owners, recorded directly in equity		(40,953)	2,411	-	-	-	-	(167,768)	(206,310)
Balance as at December 31, 2016		723,390	20,230	(221)	9,125	44,127	(1,054)	663,053	1,458,650
Balance as at December 31, 2014	2e)	799,100	14,333	-	-	28,649	-	179,758	1,021,840
Net income for the year		-	-	-	-	-	-	163,437	163,437
Other comprehensive income (loss) for the year, net of tax		-	-	-	-	17,893	-	(338)	17,555
Total comprehensive income for the year		-	-	-	-	17,893	-	163,099	180,992
Share-based payment transactions	19	-	4,356	-	-	-	-	(15)	4,341
Stock options exercised	17, 19	2,767	(630)	-	-	-	-	-	2,137
Dividends to owners of the Company		-	-	-	-	-	-	(67,758)	(67,758)
Repurchase of own shares	17	(37,764)	-	-	-	-	-	(83,989)	(121,753)
Warrants exercised	17	240	(240)	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity		(34,757)	3,486	-	-	-	-	(151,762)	(183,033)
Balance as at December 31, 2015	2e)	764,343	17,819	-	-	46,542	-	191,095	1,019,799

The notes on pages 6 to 52 are an integral part of these consolidated financial statements.

**TFI International Inc.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**
*(In thousands of Canadian dollars)*

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Net income for the year attributable to owners of the Company		<b>639,579</b>	163,437
Net income from discontinued operations	6	<b>482,520</b>	17,705
Net income from continuing operations		<b>157,059</b>	145,732
Adjustments for			
Depreciation of property and equipment	9	<b>139,439</b>	129,096
Amortization of intangible assets	10	<b>53,647</b>	47,130
Share-based payment transactions	19	<b>6,164</b>	4,341
Net finance costs	22	<b>54,882</b>	75,705
Income tax expense	23	<b>46,272</b>	55,024
Gain on sale of property and equipment	20	<b>(20,429)</b>	(23,565)
Gain on sale of assets held for sale	20	<b>-</b>	(3,896)
Provisions and employee benefits		<b>6,577</b>	2,719
		<b>443,611</b>	432,286
Net change in non-cash operating working capital	8	<b>14,659</b>	55,051
Cash generated from operating activities		<b>458,270</b>	487,337
Interest paid		<b>(42,856)</b>	(62,134)
Income tax paid		<b>(77,099)</b>	(60,791)
Net realized loss on derivatives		<b>(407)</b>	(5,567)
<b>Net cash from operating activities from continuing operations</b>		<b>337,908</b>	358,845
<b>Net cash (used in) from operating activities from discontinued operations</b>		<b>(1,631)</b>	66,079
		<b>336,277</b>	424,924
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		<b>(110,443)</b>	(155,875)
Proceeds from sale of property and equipment		<b>60,992</b>	68,065
Proceeds from sale of assets held for sale		<b>-</b>	22,410
Purchases of intangible assets	10	<b>(1,835)</b>	(1,714)
Business combinations, net of cash and bank indebtedness acquired	5	<b>(798,303)</b>	(44,764)
Purchases of investments		<b>(29,711)</b>	(4,921)
Proceeds from sale of investments		<b>13,404</b>	5,757
Others		<b>65</b>	176
<b>Net cash used in investing activities from continuing operations</b>		<b>(865,831)</b>	(110,866)
<b>Net cash from investing activities from discontinued operations</b>		<b>771,189</b>	12,711
		<b>(94,642)</b>	(98,155)
<b>Cash flows from financing activities</b>			
(Decrease) increase in bank indebtedness		<b>(20,245)</b>	1,293
Proceeds from long-term debt		<b>615,529</b>	37,988
Repayment of long-term debt		<b>(621,592)</b>	(177,079)
Dividends paid		<b>(64,066)</b>	(68,555)
Repurchase of own shares		<b>(151,200)</b>	(121,753)
Proceeds from exercise of stock options		<b>6,517</b>	2,137
Payment of restricted share units		<b>(2,924)</b>	-
<b>Net cash used in financing activities from continuing operations</b>		<b>(237,981)</b>	(325,969)
<b>Net cash used in financing activities from discontinued operations</b>		<b>-</b>	(800)
		<b>(237,981)</b>	(326,769)
<b>Net change in cash and cash equivalents</b>		<b>3,654</b>	-
Cash and cash equivalents, beginning of year		<b>-</b>	-
<b>Cash and cash equivalents, end of year</b>		<b>3,654</b>	-

The notes on pages 6 to 52 are an integral part of these consolidated financial statements.

**1. Reporting entity**

TFI International Inc. (the "Company"), formerly TransForce Inc., is incorporated under the *Canada Business Corporations Act*, and is a company domiciled in Canada. The address of the Company's registered office is 8801 Trans-Canada Highway, Suite 500, Montreal, Quebec, H4S 1Z6.

The consolidated financial statements of the Company as at and for the years ended December 31, 2016 and 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is involved in the provision of transportation and logistics services across the United States, Canada and Mexico.

**2. Basis of preparation****a) Statement of compliance**

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2017.

**b) Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- investment in equity securities, derivative financial instruments, forward purchase agreement and contingent considerations are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value in accordance with IFRS 2;
- the defined benefit pension plan liability is recognized as the net total of the present value of the defined benefit obligation less the fair value of the plan assets; and
- assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

**c) Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars ("C\$" or "CDN\$"), which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

**d) Use of estimates and judgments**

The preparation of the accompanying financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, site restoration obligations and pension obligations. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 5 – Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations;

Note 10 – Determining estimates and assumptions related to impairment tests for long-lived assets and goodwill;

Note 6, 15 and 25 – Recognition and measurement of provisions and contingencies.

**e) Comparative information**

In fiscal 2016, the Company corrected an immaterial error in the comparative 2015 statement of financial position related to customer adjustments arising principally in the LTL segment by the following amounts as at January 1, 2015 and December 31, 2015: decrease of \$7.6 million in retained earnings, increase of \$10.3 million in accounts payable and decrease of \$2.7 million in current taxes payable.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

**a) Basis of consolidation**

**i) Business combinations**

The Group measures goodwill as the fair value of the consideration transferred including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Group.

**iii) Forward purchase agreement**

As part of a certain business combination, the Company has entered into a forward purchase agreement to purchase the non-controlling interest holders stake in the respective company. Under the forward purchase agreement the Company will acquire the non-controlling interest in the future at a formulaic variable price based mainly on the earnings levels in future periods (the "exit price"). The agreement does not include a specified minimum amount for the forward purchase price.

When the forward granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the forward.

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the forward purchase agreement is accounted for on the date of the forward purchase agreement as if the forward had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated statements of income and the consolidated statements of comprehensive income, even though legally they are still considered non-controlling interest.

The forward purchase agreement is considered a financial liability and is initially recognized at the present value of the exercise price of the forward (recorded as other financial liability on the consolidated statements of financial position). The forward is re-measured to fair value at each reporting date and any subsequent changes are recognized in the consolidated statements of income as finance income or costs.

**iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**b) Foreign currency translation****i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in effect at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the rate in effect on the transaction date. Income and expense items denominated in foreign currency are translated at the date of the transactions. Gains and losses are included in income or loss.

**ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income in the accumulated foreign currency translation differences account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to income or loss as part of the income or loss on disposal. On the partial disposal of a subsidiary while retaining control, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to income or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the accumulated foreign currency translation differences account.

**c) Discontinued operations**

A discontinued operation is a component of the Group's business; the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of income and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**d) Financial instruments****i) Non-derivative financial assets**

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value depending on the purpose for which the financial assets were acquired.

***Financial assets measured at amortized cost***

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Group currently classifies its cash equivalents, trade and other receivables and long-term non-trade receivables included in other non-current assets as financial assets measured at amortized cost.

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Group has a portfolio of trade receivables at the reporting date. The Group uses a provision matrix to determine the lifetime expected credit losses for the portfolio.

The Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

***Financial assets measured at fair value***

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in income or loss. However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

***Financial assets measured at fair value through other comprehensive income***

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

**ii) Non-derivative financial liabilities**

The Group initially recognizes debt issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value.

***Financial liabilities measured at amortized cost***

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Group currently classifies bank indebtedness, trade and other payables and long-term debt as financial liabilities measured at amortized cost.

***Financial liabilities measured at fair value***

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Group currently classifies its forward purchase agreement liability in connection with a business acquisition as a financial liability measured at fair value.

**iii) Share capital**
***Common shares***

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

**iv) Derivative financial instruments**

The Group uses derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income or loss.

Derivatives and embedded derivatives are recognized initially at fair value; related transaction costs are recognized in income or loss as incurred. Subsequent to initial recognition, derivatives and embedded derivatives are measured at fair value, and changes therein are recognized in net change in fair value of foreign exchange derivatives in income or loss with the exception of net change in fair value of cross currency interest rate swap contracts recognized in net foreign exchange gain or loss in income or loss.

**e) Hedge accounting**

Management's risk strategy is focused on reducing the variability in profit or losses and cash flows associated with exposure to market risks. Hedge accounting is used to reduce this variability to an acceptable level. The hedges employed by the Group reduce the currency and interest rate fluctuation exposures.

On the initial designation of a hedging relationship, the Group formally documents the relationship between the hedging instrument and the hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated.

*Net investment hedge*

The Group designates a portion of its U.S. dollar ("US\$") denominated debt as a hedging item in a net investment hedge. The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (CDN\$), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented in the currency translation differences account within equity. To the extent that the hedge is ineffective, such differences are recognized in income or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to income or loss as part of the gain or loss on disposal.

*Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect income or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect income or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects income or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in income or loss.

**f) Property and equipment**

Property and equipment are accounted for at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the assets and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation method and useful lives are as follows:

Categories	Basis	Useful lives
Buildings	Straight-line	15 – 40 years
Rolling stock	Primarily straight-line	3 – 20 years
Equipment	Primarily straight-line	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment in accordance with IAS 36 *Impairment of Assets* when there are indicators that the carrying value may not be recoverable.

#### g) Intangible assets

##### i) Goodwill

Goodwill that arises upon business combinations is included in intangible assets.

Goodwill is not amortized and is measured at cost less accumulated impairment losses.

##### ii) Other intangible assets

Intangible assets consist of customer relationships, trademarks, non-compete agreements and permits, and information technology.

Other intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful lives:

Categories	Useful lives
Customer relationships	5 – 15 years
Trademarks	5 – 20 years
Non-compete agreements and permits	3 – 40 years
Information technology	5 – 7 years

Useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### h) Leased assets

Leases with terms which indicate that the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statements of financial position.

##### i) Inventoried supplies

Inventoried supplies consist primarily of repair parts and fuel and are measured at the lower of cost and net realizable value.

**j) Impairment*****Non-financial assets***

The carrying amounts of the Group's non-financial assets other than inventoried supplies and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated on December 31 of each year.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs (usually a Group's operating segment), that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses and impairment reversals are recognized in income or loss.

**k) Assets held for sale**

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in income or loss.

Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated.

**l) Employee benefits****i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**ii) Defined benefit plans**

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or income-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**iv) Share-based payment transactions**

The grant date fair value of equity share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

The fair value of the amount payable to board members in respect of deferred share unit ("DSU"), which are to be settled in cash, is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured at each reporting date until settlement. Any changes in the fair value of the liability are recognized as finance income or costs in income or loss.

**v) Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, then they are discounted.

**m) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

***Self-Insurance***

The self-insurance provision represents an accrual for estimated future costs associated with the self-insured portion related to cargo loss, bodily injury, worker's compensation and property damages. The estimates are based on the Group's historical experience including settlement patterns and payment trends. The most significant assumptions in the estimation process include determining the trend in costs and the expected cost to settle outstanding claims. Changes in assumptions and experience could cause these estimates to change significantly in the near term.

**n) Revenue recognition**

The Group's normal business operations consist of the provision of transportation and logistics services. All income relating to normal business operations is recognized as revenue based on the stage of completion of the service in the statement of income. The stage of completion of the service is determined using the proportion of costs incurred to date compared to the estimated total costs of the service. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue is recognized as services are rendered, when the amount of revenue and income can be reliably measured and in all probability the economic benefits from the transactions will flow to the Group.

**o) Lease payments**

Payments made under operating leases are recognized in income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**p) Finance income and finance costs**

Finance income comprises interest income on funds invested, available-for-sale financial assets (prior to adoption of IFRS 9, see note 3 t)), dividend income, interest and accretion on promissory note, and bargain purchase gains on business acquisitions. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Finance costs comprise interest expense on bank indebtedness and long-term debt, unwinding of the discount on provisions and impairment losses recognized on financial assets (other than trade receivables).

Fair value gains or losses on derivative financial instruments and on contingent considerations, and foreign currency gains and losses are reported on a net basis as either finance income or cost.

**q) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**r) Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if any. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible debentures, warrants, and restricted share units and stock options granted to employees.

**s) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief executive officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, income tax assets, liabilities and expenses, as well as long-term debt and interest expense thereon.

Sales between Group's segments are measured at the exchange amount. Transactions, other than sales, are measured at carrying value. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

**t) New standards and interpretations adopted during the year**

The Group has adopted the following new standards and amendments to standards and interpretations, with a date of initial application of January 1, 2016, except for IFRS 9 (2014). These have been applied in preparing these consolidated financial statements:

*Annual Improvements to IFRS (2012-2014 cycle):* On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments apply for annual periods beginning on or after January 1, 2016. Each of the amendments has its own specific transition requirements. Amendments were made to following in their respective standards:

- Changes in method for disposal under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*;
- Discount rate in a regional market sharing the same currency under *IAS 19 Employee Benefits*;

Adoption of the amendments from the Annual Improvements to IFRS (2012-2014 cycle) did not have a material impact on the Group's consolidated financial statements.

*Disclosure Initiative: Amendments to IAS 1:* On December 18, 2014 the IASB issued amendments to *IAS 1 Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not require any significant changes to current practice, but should facilitate improved financial statement disclosures. Adoption of Disclosure Initiative: Amendments to IAS 1 did not have a material impact on the Group's consolidated financial statements.

On October 1, 2016, the Group early adopted IFRS 9, Financial Instruments (2014). This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities. This standard introduces a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments – Recognition and Measurement*. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014). It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it provides more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. In addition, IFRS 9 (2014) increases the required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 (2014) does not require restatement of comparative periods. The adoption of IFRS 9 (2014) did not result in any measurement adjustments to the financial assets and financial liabilities, and did not result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date. The management has reviewed the significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships to align them with IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Group's non-derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	Category under IFRS 9	Category under IAS 39
<b>Financial assets:</b>		
Cash and cash equivalents	Measured at amortized cost	Loans and receivables
Trade and other receivables	Measured at amortized cost	Loans and receivables
Long-term non-trade receivables included in other non-current assets	Measured at amortized cost	Loans and receivables
	Measured at fair value through OCI	Available for sale
Investment in equity securities included in other non-current assets		
<b>Financial liabilities:</b>		
Bank indebtedness	Measured at amortized cost	Other financial liability
Trade and other payables	Measured at amortized cost	Other financial liability
Long-term debt	Measured at amortized cost	Other financial liability
	Measured at fair value through profit or loss	Measured at fair value through profit or loss
Non-hedged derivative liabilities		
	Measured at fair value through profit or loss	Other financial liability
Forward purchase agreement liability included in other financial liability		

The investments in equity securities are categorized as fair value through OCI. As at December 31, 2016 these equity instruments consist of securities of publicly listed companies with readily available quoted market prices. The Company has elected to use this presentation as the investments are held for strategic reasons and are not held-for-trading. As at the date of transition, the fair value of such instruments was an unrealized cumulative loss of \$0.5 million. During the period since adoption of IFRS 9 (2014), the Company disposed of a portion of their investments and a \$0.3 million loss has been reclassified to equity due to the sale of investments.

As at December 31, 2016 and 2015, the Group had derivative financial assets and derivative financial liabilities designated as effective hedging instruments, measured at fair value. The accounting for the financial instruments and the line item in which they are included in the consolidated statement of financial position were unaffected by the adoption of IFRS 9 (2014) upon transition.

**u) New standards and interpretations not yet adopted**

The following new standards are not yet effective for the year ending December 31, 2016, and have not been applied in preparing these consolidated financial statements:

*IFRS 15, Revenue from Contracts with Customers:* On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. The Group does not intend to early adopt the standard in its consolidated financial statements. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and application of the Standard to licenses of intellectual property. The Group intends to adopt IFRS 15 and the clarifications in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

*IFRS 16, Leases:* On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Group intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

*Disclosure Initiative: Amendments to IAS 7:* On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Group intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Group does not expect the amendments to have a material impact on the financial statements.

*Recognition of Deferred Tax Assets for Unrealized Losses: Amendments to IAS 12:* On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Group intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

*Classification and Measurement of Share-based Payment Transactions: Amendments to IFRS 2:* On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. The Group does not intend to early adopt the standard in its consolidated financial statements. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

*Annual Improvements to IFRS Standards (2014-2016 cycle):* On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transaction requirements and effective date. Amendments were made to the following standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;
- Removal of outdated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018;
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

*IFRIC 22, Foreign Currency Transactions and Advance Consideration:* On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
  - the beginning of the reporting period in which the entity first applies the Interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements.

The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the Interpretation has not yet been determined.

**4. Segment reporting**

The Group operates within the transportation and logistics industry in the United States, Canada and Mexico in different reportable segments, as described below. The reportable segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Group's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Package and Courier:	Pickup, transport and delivery of items across North America.
Less-Than-Truckload:	Pickup, consolidation, transport and delivery of smaller loads.
Truckload <sup>(a)</sup> :	Full loads carried directly from the customer to the destination using a closed van or specialized equipment to meet customer's specific needs. Includes expedited transportation, flatbed, container and dedicated services.
Logistics:	Logistics services.

(a) The truckload segment represents the aggregation of the truckload and specialized truckload operating segments. These operating segments have similar cost structures and are evaluated using the same key performance indicators.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income or loss before net finance income or costs and income tax ("operating income or loss"), as finance income or costs and income tax are not allocated to reportable segments. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Operating income" in the consolidated statements of income. Segment's operating income or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
<b>2016</b>							
External revenue	1,392,715	792,037	1,607,600	232,856	-	-	4,025,208
Inter-segment revenue	7,016	16,745	24,790	8,286	-	(56,837)	-
Total revenue	1,399,731	808,782	1,632,390	241,142	-	(56,837)	4,025,208
Depreciation and amortization	34,547	28,742	123,822	3,877	2,098	-	193,086
Operating income (loss)	116,780	48,280	105,699	23,389	(35,935)	-	258,213
Intangible assets	459,596	219,465	1,177,794	130,994	1,799	-	1,989,648
Total assets	711,670	619,772	2,489,096	175,190	75,233	-	4,070,961
Total liabilities	157,426	145,077	562,604	19,350	1,725,480	-	2,609,937
Additions to property and equipment	12,196	16,282	79,662	430	1,990	-	110,560
<b>2015</b>							
External revenue	1,341,082	864,799	1,579,173	244,835	-	-	4,029,889
Inter-segment revenue	6,741	18,109	35,018	9,401	-	(69,269)	-
Total revenue	1,347,823	882,908	1,614,191	254,236	-	(69,269)	4,029,889
Depreciation and amortization	33,844	31,468	105,456	3,521	1,937	-	176,226
Operating income (loss)	90,195	45,756	134,080	27,872	(21,442)	-	276,461
Intangible assets	468,810	219,381	777,541	94,420	2,348	-	1,562,500
Total assets	728,797	658,035	1,576,663	132,330	30,922	-	3,126,747
Total liabilities	168,979	154,955	309,358	23,165	1,693,030	-	2,349,487
Additions to property and equipment	17,667	21,667	113,539	2,063	2,866	-	157,802

**Geographical information**

Revenue is attributed to geographical locations based on the origin of service's location. Segment assets are based on the geographical location of the assets.

	2016	2015
Revenue		
Canada	2,434,762	2,531,718
United States	1,586,766	1,498,171
Mexico	3,680	-
	4,025,208	4,029,889
	2016	2015
Property and equipment and intangible assets		
Canada	1,771,198	1,755,198
United States	1,590,075	789,163
Mexico	23,446	-
	3,384,719	2,544,361

**5. Business combinations**
**a) Business combinations**

In line with the Group's growth strategy, the Group acquired ten businesses during 2016 of which four are considered significant.

On October 27, 2016, the Group completed the acquisition of the North American truckload operation of XPO Logistics for a total cash consideration of \$747.4 million, of which, \$500.0 million has been financed through a new term loan. The acquisition represents an important expansion of the Group's TL and Logistics services across North America. With an operating history of over 60 years, the acquired business is a top 20 carrier headquartered in Joplin, Missouri. The business provides an integrated offering of point-to-point dry-van TL transportation services across the United States, and is one of the largest service providers of cross-border trucking into Mexico. This acquisition, which operates under the name of CFI, significantly strengthens the Group's presence in the North American truckload landscape with prominent market positions in domestic US and cross-border Mexico freight.

On November 1, 2016, the Group completed the acquisition of Hyphen Transportation Management Inc. ("Hyphen") for a purchase price of \$10.9 million to further grow its asset light Logistics. Hyphen provides brokerage services in flatbed, dry van, refrigerated, and intermodal.

On December 1, 2016, the Group completed the acquisition of Muskoka Delivery Services Inc. and Muskoka Delivery Barrie Inc ("Muskoka"). Muskoka services, as a niche player, primarily the Package and Courier industry as an interline carrier in Northern Ontario. The purchase price for this business acquisition totalled \$13.6 million of which \$11.2 million has been paid in cash and the remaining consist of a contingent consideration of \$2.4 million payable upon the achievement of certain operating targets.

On December 28, 2016, the Group completed the acquisition of the assets of Brampton, Ontario based National Fast Freight ("NFF") for a total cash consideration of \$12.1 million. Founded in 1992, NFF is a non-asset Canadian-based transportation company providing LTL intermodal services across Canada.

The other 2016 acquisitions did not have a material effect on the Group's financial position and results of operations.

During 2016, transaction costs of \$3.7 million (2015 – nil) have been expensed in relation to the above mentioned business acquisitions, \$3.2 million of which has been recorded in personnel expenses and \$0.5 million in other operating expenses in the consolidated statements of income.

The following table provides the revenue and net income contributions of the above 2016 significant business combinations from their respective date of acquisition and as if these acquisitions had occurred on January 1, 2016, per management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2016.

<i>2016 business combinations contributions</i>			Estimated - if acquired on	
Business (acquisition date)	From acquisition date		January 1, 2016	
	Revenue	Net income	Revenue	Net income
CFI (October 27)	119,880	1,844	702,000	12,800
Hyphen (November 1)	1,949	162	12,000	1,000
Muskoka (December 1)	2,680	59	30,000	700
NFF (December 28)	438	-	80,000	(2,000)

As of the reporting date, the Group had not completed the purchase price allocation over the identifiable net assets and goodwill of these business combinations. Information to confirm fair value of certain assets and liabilities is still to be obtained for these acquisitions. As the Group obtains more information, the allocation will be completed. The table below presents the purchase price allocation based on the best information available to the Group to date.

<i>Identifiable assets acquired and liabilities assumed</i>								
	Note	CFI	Hyphen	Muskoka	NFF	Others	2016	2015
Cash and cash equivalents		13,949	-	287	-	1,558	<b>15,794</b>	527
Trade and other receivables		82,997	1,229	4,223	10,800	1,084	<b>100,333</b>	5,590
Inventoried supplies and prepaid expenses		12,104	1	80	493	303	<b>12,981</b>	424
Property and equipment	9	460,779	-	709	2,131	23,095	<b>486,714</b>	3,742
Intangible assets	10	129,860	5,180	4,442	3,268	6,125	<b>148,875</b>	18,554
Other assets		-	-	-	-	-	-	2
Bank indebtedness		-	(121)	-	-	-	<b>(121)</b>	-
Trade and other payables		(57,607)	(2,273)	(2,276)	(12,120)	(823)	<b>(75,099)</b>	(3,993)
Income tax payable		-	(284)	(143)	1	(42)	<b>(468)</b>	(1,187)
Provisions		(16,251)	-	-	-	-	<b>(16,251)</b>	-
Long-term debt		-	-	(403)	-	(4,700)	<b>(5,103)</b>	(194)
Deferred tax liabilities		(194,680)	(1,373)	(1,175)	-	(1,358)	<b>(198,586)</b>	(477)
Total identifiable net assets		431,151	2,359	5,744	4,573	25,242	<b>469,069</b>	22,988
Total consideration transferred		747,449	10,852	13,568	12,055	32,469	<b>816,393</b>	48,133
Goodwill	10	316,298	8,493	7,824	7,482	7,227	<b>347,324</b>	25,145
Cash, net of bank indebtedness		747,449	10,852	11,151	12,055	32,469	<b>813,976</b>	45,291
Contingent consideration		-	-	2,417	-	-	<b>2,417</b>	-
Forward purchase agreement liability		-	-	-	-	-	-	2,842
Total consideration transferred		747,449	10,852	13,568	12,055	32,469	<b>816,393</b>	48,133

The trade receivables comprise of gross amounts due of \$96.8 million, of which \$1.3 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2016, \$21.8 million is deductible for tax purposes (2015 - \$27.7 million).

During 2015, the Group acquired four businesses.

On May 4, 2015, the Group acquired Hazen Final Mile ("Hazen") for an aggregate consideration of \$26.4 million which was paid in cash. Hazen, a main provider in final mile transportation services, offers various dedicated delivery services in various industries such as retail, office supplies and more.

On July 9, 2015, the Group completed the acquisition of All Canadian Courier ("ACC") for an aggregate amount of \$9.5 million to further grow its Parcel and Courier segment. Established in 1989, ACC has earned a reputation for offering unique solutions to their customers' specific challenges with unparalleled service and advanced shipping, tracking and reporting technology systems.

On October 1, 2015 the Group acquired Vanroboys Trucking LTD ("Vanroboys") for cash consideration of \$3.1 million. Vanroboys is engaged in the business of waste and other bulk materials hauling in the province of Ontario and in Michigan.

On December 1, 2015, the Group completed the purchase of 75% of Optimal Freight ("Optimal") for an aggregate amount of \$6.3 million in cash. Optimal operates in the logistics segment and is located in the United States. As part of the acquisition, the Group entered into a forward purchase agreement with the non-controlling interest holder for the purchase of its 25% stake in Optimal for a variable price based on earnings levels in the future periods. The forward purchase agreement can be exercised anytime during 2018 to 2020.

**b) Goodwill**

The goodwill is attributable mainly to the premium of an established business operation with a good reputation in the transportation industry, and the synergies expected to be achieved from integrating the acquired entity into the Group's existing business.

The goodwill arising in the above business combinations has been allocated to operating segments as indicated in the table below, which represents the lowest level at which goodwill is monitored internally.

Operating segment	Reportable segment	2016	2015
Package and Courier	Package and Courier	7,823	18,727
Less-Than-Truckload	Less-Than-Truckload	7,481	-
Truckload	Truckload	295,329	-
Specialized Truckload	Truckload	7,230	-
Logistics	Logistics	29,461	6,418
		347,324	25,145

**c) Adjustment to the provisional amounts of prior period business combinations**

The 2015 annual consolidated financial statements included details of the Group's business combinations and set out provisional fair values relating to the consideration and net assets acquired of ACC, Hazen and Optimal. These acquisitions were accounted for under the provisions of IFRS 3.

As required by IFRS 3, the provisional fair values have been reassessed in light of information obtained during the measurement period following the acquisition. No adjustment was required to the provisions for prior period business combinations.

**6. Discontinued operations**
**a) Discontinued operations**

On September 30, 2015, the Company decided to cease operations in the rig moving operating segment and accordingly has classified all the property and equipment as assets held for sale.

On October 29, 2015, the Company commenced the process of selling the Waste Management segment ("Waste") to GFL Environmental Inc. ("GFL") for total consideration of \$800 million, which includes an unsecured promissory note of \$25 million yielding 3% interest with a term of 4 years. The Waste operations were transferred to GFL on February 1, 2016.

The following table presents the net income (loss) from discontinued operations:

	2016			2015		
	Rig moving	Waste	Total	Rig moving	Waste	Total
Revenue	304	14,340	14,644	44,098	210,331	254,429
Expenses	1,898	15,630	17,528	77,346	159,017	236,363
	(1,594)	(1,290)	(2,884)	(33,248)	51,314	18,066
Loss on assets held for sale	(8,920)	-	(8,920)	(444)	-	(444)
Gain on the sale of Waste <sup>(1)</sup>	-	559,246	559,246	-	-	-
(Loss) income before income tax	(10,514)	557,956	547,442	(33,692)	51,314	17,622
Income tax (recovery) expense	(3,656)	68,578	64,922	(13,793)	13,710	(83)
Net income (loss) from discontinued operations <sup>(2)</sup>	(6,858)	489,378	482,520	(19,899)	37,604	17,705

Earnings per share from discontinued operations

Basic (loss) earnings per share (0.07) 5.22 5.15 (0.20) 0.38 0.18

Diluted (loss) earnings per share (0.07) 5.12 5.05 (0.20) 0.37 0.17

Additional information:

Depreciation of property and equipment - 2,256 2,256 14,705 23,351 38,056

<sup>(1)</sup> See note b

<sup>(2)</sup> The net income (loss) from discontinued operations are fully attributable to the owners of the Company.

During 2016 an impairment of \$5.0 million was recognized on assets belonging to the rig moving segment (2015 – \$6.2 million).

The assets and liabilities of the discontinued operations were as follows:

	Rig moving	Waste	2016	2015 (*)
Current assets	326	-	326	67,082
Non-current assets	-	-	-	266,443
Current liabilities	(2,700)	-	(2,700)	(34,625)
Non-current liabilities	-	-	-	(56,361)

(\*) The assets and liabilities of discontinued operations have been mainly classified as assets held for sale or disposal group held for sale in 2015.

**b) Sale of the Waste Management segment**

On February 1, 2016, the Company completed the sale of Waste to GFL, headquartered in Toronto, Ontario, for a sale price of \$800 million. At closing, GFL paid \$758.9 million to the Company net of closing adjustments, and issued an unsecured promissory note to the Company in an amount of \$25 million, payable in four years and bearing interest at an annual rate of 3%. The table below presents the reconciliation of the gain on the sale of the Waste Management.

	Note	2016
Sale price		800,000
Closing adjustment to sale price	i	(16,126)
Net sale price		783,874
Trade and other receivables		34,014
Inventoried supplies and prepaid expenses		4,364
Property and equipment		140,089
Intangible assets		93,408
Goodwill		22,369
Other assets		9,576
Bank indebtedness		(6,018)
Trade and other payables		(16,576)
Income taxes payable		(3,956)
Provisions		(26,544)
Long-term debt		(7,235)
Deferred tax liabilities		(26,398)
Total identifiable net assets		217,093
Fair value adjustment to the promissory note	ii	(7,535)
Gain on sale of Waste		559,246
Income tax on gain on disposal	iii	(68,475)
Gain on sale of Waste, net of tax		490,771
Net sale price is paid as follow:		
Cash consideration received		758,874
Promissory note issued	ii	25,000
		783,874

- i) Closing adjustments to the sale price includes an assumed lease amount of \$0.7 million, closure and post-closure costs of \$9.1 million, working capital adjustment of \$2.4 million and income taxes payable of \$4.0 million.
- ii) The fair value adjustment to the promissory note has been calculated with a discount rate of 12% over 4 years based on the specific risk of the business.
- iii) The gain of \$559.2 million on the sale of Waste generated an income tax expense \$68.5 million which represents an effective tax rate of 12.2% largely explained by the capital nature of the transaction.

**7. Trade and other receivables**

	2016	2015
Trade receivables	552,057	484,556
Other receivables	17,124	23,316
	569,181	507,872

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in note 24.

**8. Additional cash flow information**
**Net change in non-cash operating working capital**

	2016	2015
Trade and other receivables	40,095	65,008
Inventories	836	122
Prepaid expenses	1,598	(2,128)
Trade and other payables	(27,870)	(7,951)
	14,659	55,051

**9. Property and equipment**

	Land and buildings	Rolling stock	Equipment	Total
<b>Cost</b>				
Balance at December 31, 2014	526,932	1,023,434	226,695	1,777,061
Additions through business combinations	85	3,166	493	3,744
Other additions	7,874	153,872	21,763	183,509
Disposals	(21,584)	(154,586)	(10,513)	(186,683)
Reclassification to assets held for sale	(28,882)	(80,890)	-	(109,772)
Reclassification to disposal group held for sale	(65,024)	(85,515)	(92,307)	(242,846)
Effect of movements in exchange rates	5,192	49,181	3,351	57,724
Balance at December 31, 2015	424,593	908,662	149,482	1,482,737
Additions through business combinations	69,284	415,762	1,668	486,714
Other additions	9,409	92,152	8,999	110,560
Disposals	(16,434)	(114,207)	(6,673)	(137,314)
Reclassification from (to) assets held for sale	4,644	(3,277)	-	1,367
Effect of movements in exchange rates	(556)	(6,073)	(334)	(6,963)
Balance at December 31, 2016	490,940	1,293,019	153,142	1,937,101
<b>Depreciation</b>				
Balance at December 31, 2014	75,401	399,804	116,789	591,994
Depreciation for the year	13,182	123,623	30,347	167,152
Disposals	(6,865)	(102,608)	(8,652)	(118,125)
Reclassification to assets held for sale	(4,328)	(43,260)	-	(47,588)
Reclassification to disposal group held for sale	(10,780)	(42,327)	(48,890)	(101,997)
Effect of movements in exchange rates	1,010	6,475	1,955	9,440
Balance at December 31, 2015	67,620	341,707	91,549	500,876
Depreciation for the year	11,505	112,441	15,493	139,439
Disposals	(3,991)	(86,736)	(7,211)	(97,938)
Reclassification from (to) assets held for sale	2,067	(1,388)	-	679
Effect of movements in exchange rates	(244)	(689)	(93)	(1,026)
Balance at December 31, 2016	76,957	365,335	99,738	542,030
<b>Net carrying amounts</b>				
At December 31, 2015	356,973	566,955	57,933	981,861
At December 31, 2016	413,983	927,684	53,404	1,395,071

**Leased assets**

The Group leases items of rolling stock and equipment under a number of finance lease agreements. For the majority of these leases, the Group is responsible for the residual value on termination date. The leased assets secure lease obligations (see note 13). At December 31, 2016, the net carrying amount of leased assets was \$36.1 million (2015 - \$50.8 million). During the year ended December 31, 2016, the Group acquired leased assets in the amount of \$0.1 million (2015 - \$1.9 million) under finance lease agreements and all other new leased assets come from business acquisitions.

**Security**

At December 31, 2016 certain rolling stock are pledged as security for conditional sales contracts, with a carrying amount of \$104.1 million (2015 - \$83.3 million) (see note 13).

**10. Intangible assets**

Net carrying amounts	Other intangible assets					Total
	Goodwill	Customer relationships	Trademarks	Non-compete agreements and permits	Information technology	
Balance at December 31, 2014	1,093,499	336,486	59,130	96,559	12,021	1,597,695
Additions through business combinations	17,593	22,365	1,641	1,804	144	43,547
Other additions	-	1,214	-	-	1,343	2,557
Amortization	-	(36,535)	(6,095)	(4,300)	(4,730)	(51,660)
Reclass to disposal group held for sale	(22,369)	(1,353)	-	(92,439)	(45)	(116,206)
Effect of movements in exchange rates	58,588	22,591	4,539	163	686	86,567
Balance at December 31, 2015	<b>1,147,311</b>	<b>344,768</b>	<b>59,215</b>	<b>1,787</b>	<b>9,419</b>	<b>1,562,500</b>
Additions through business combinations	<b>347,324</b>	<b>136,694</b>	<b>10,506</b>	<b>785</b>	<b>890</b>	<b>496,199</b>
Other additions	-	-	-	-	1,835	1,835
Amortization	-	(42,606)	(5,919)	(490)	(4,632)	(53,647)
Effect of movements in exchange rates	(11,979)	(4,278)	(849)	(30)	(103)	(17,239)
Balance at December 31, 2016	<b>1,482,656</b>	<b>434,578</b>	<b>62,953</b>	<b>2,052</b>	<b>7,409</b>	<b>1,989,648</b>

As at December 31, 2016, the cost of other intangible assets is \$684.5 million (2015 - \$551.1 million) and the accumulated amortization is \$177.5 million (2015 - \$135.9 million). In 2015, an amount of \$4.5 million of amortization is related to the waste management segment.

**Goodwill impairment test**

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Reportable segment / operating segment	2016	2015
Package and Courier	375,648	372,561
Less-Than-Truckload	143,285	135,805
Truckload		
Truckload	514,695	223,376
Specialized Truckload <sup>(1)</sup>	348,027	342,001
Logistics <sup>(1)</sup>	101,001	73,568
	<b>1,482,656</b>	<b>1,147,311</b>

<sup>(1)</sup> Prior period goodwill has been reclassified from specialized truckload to logistics.

The Group performed its goodwill impairment tests as at December 31, 2016 and 2015. The results determined that the recoverable amounts of the Group's operating segments exceeded their respective carrying amounts.

The recoverable amounts of the Group's operating segments were determined using the value in use. The value in use methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is valuable as it allows more precise valuation of specific future cash flows.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates as follows:

Reportable segment / operating segment	2016	2015
Package and Courier	9.4%	9.0%
Less-Than-Truckload	10.0%	7.2%
Truckload		
Truckload	11.2%	10.3%
Specialized Truckload	11.8%	9.9%
Logistics	10.6%	9.9%

The discount rates were estimated based on past experience, and industry average weighted average cost of capital, which were based on a possible range of debt leveraging of 40.0% (2015 – 50.0%) at a market interest rate of 6.7% (2015 – 6.6%).

First year cash flows were projected based on past experience actual operating results and reflect current economic conditions. For a further 4-year period, cash flows were extrapolated using an average growth rate of 2.0% (2015 – 2.0%) in revenues and margins were adjusted where deemed appropriate for each operating segment. The terminal value growth rate was 2.0% (2015 – 2.0%) for each operating segment. The values assigned to the key assumptions represent management's assessment of future trends in the transportation industry and was based on both external and internal sources (historical data).

**11. Other assets**

	Note	2016	2015
Promissory note	6	18,962	-
Investments in equity securities		15,884	-
Restricted cash		4,294	4,300
Security deposits		3,645	3,820
Other		24	23
		<b>42,809</b>	<b>8,143</b>

Restricted cash consists of cash held as potential claims collateral pursuant to re-insurance agreements under the Group's insurance program.

**12. Trade and other payables**

	2016	2015
Trade payables and accrued expenses	296,292	304,710
Personnel accrued expenses	141,484	94,707
Provisions	21,370	22,044
Dividend payable	17,399	16,598
	<b>476,545</b>	<b>438,059</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

**13. Long-term debt**

This note provides information about the contractual terms of the Group's interest-bearing long-term debt, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign exchange currency and liquidity, see note 24.

	2016	2015
<b>Non-current liabilities</b>		
Revolving facility	767,034	801,152
Term loans	571,663	-
Unsecured debentures	124,552	124,334
Conditional sales contracts	42,758	34,985
Finance lease liabilities	12,401	23,111
Other long-term debt	25,909	26,729
	<b>1,544,317</b>	<b>1,010,311</b>
<b>Current liabilities</b>		
Current portion of conditional sales contracts	29,807	24,543
Current portion of finance lease liabilities	9,869	15,327
Current portion of other long-term debt	822	5,784
Current portion of term loans	-	559,135
	<b>40,498</b>	<b>604,789</b>

**Terms and conditions of outstanding long-term debt are as follows:**

					2016		2015	
		Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Revolving facility	a	C\$	BA + 2.15%	2020	302,900	301,170	75,719	75,519
Revolving facility	a	US\$	Libor + 2.15%	2020	348,953	465,864	525,461	725,633
Term loan	a	C\$	BA + 2.15%	2018-2019	500,000	496,933	-	-
Unsecured debentures	b	C\$	3.00 - 3.45%	2020	125,000	124,552	125,000	124,334
Term loan	c	C\$	3.95%	2019	75,000	74,730	-	-
Term loan	a	C\$	BA + 2.15%	2016	-	-	300,000	299,220
Term loan	a	US\$	Libor + 2.15%	2016	-	-	187,800	259,915
Conditional sales contracts	d	Mainly C\$	2.00% - 4.65%	2017-2020	72,565	72,565	59,528	59,528
Finance lease liabilities	e	Mainly C\$	2.35% - 5.42%	2017-2020	22,270	22,270	38,438	38,438
Other long-term debt		C\$	4.30% - 4.75%	2018	26,731	26,731	32,513	32,513
					1,584,815		1,615,100	

**a) Credit facility**

On June 22, 2016, the Group amended and extended its existing revolving facility to June 2020. The facility is unsecured and can be extended annually. The total available amount under the revolving facility was increased by \$155 million to \$1,200 million. The agreement still provides, under certain conditions, an additional \$250 million of credit availability (C\$245 million and US\$5 million). Based on certain ratios, the interest rate will vary between banker's acceptance rate (or Libor rate on US\$ denominated debt) plus applicable margin, which can vary between 125 basis points and 275 basis points. As of December 31, 2016, the credit facility's interest rate on CAD denominated debt was 3.0% and on US\$ denominated debt was 2.7%. The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 24 (f)).

On October 24, 2016, the Group entered into a term loan within the confines of the credit facility for the specific purpose of acquiring the North American truckload operations of XPO Logistics. This term loan was for a total of \$500 million, with \$200 million due in October 2018 and \$300 million due in 2019. Early repayment, in part or whole is permitted, and will permanently reduce the amount borrowed. The terms and conditions of the facility are the same as the credit facility and is subject to the same covenants.

As at February 11<sup>th</sup>, 2016 the entire term loan outstanding at December 31, 2015 has been repaid with the proceeds received from the sale of the Waste Management segment.

**b) Unsecured debentures**

On December 18, 2015, the terms of the loan agreement were amended to an unsecured debenture carrying an interest rate between 3% and 3.45% depending on certain ratios and with a December 2020 maturity date. Prior to the amendment the interest rate was 6.85% and matured in November 2017. The debentures may be repaid, without penalty, after December 18, 2019, subject to the approval of the Group's syndicate of bank lenders.

**c) Term loan**

On August 18, 2016, the Group entered into a new loan agreement for \$75 million. This loan takes the form of a term loan carrying an interest rate of 3.95% and with an August 2019 maturity date. This second ranking term loan may be repaid prior to the maturity subject to the approval of the Group's syndicate of bank lenders. Repayment prior to August 18, 2018 would result in an early repayment penalty. No penalty would apply after this date.

**d) Conditional sales contracts**

Conditional sales contracts are secured by rolling stock having a carrying value of \$104.1 million (2015 - \$83.3 million) (see note 9).

**e) Finance lease liabilities**

Finance lease liabilities are secured by rolling stock having a carrying value of \$36.1 million (2015 - \$50.8 million) (see note 9). Finance lease liabilities are payable as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Future minimum lease payments	10,584	12,862	-	23,446
Interest	(715)	(461)	-	(1,176)
Present value of minimum lease payments	9,869	12,401	-	22,270

**f) Principal instalments of other long-term debt payable during the subsequent years are as follows:**

	Less than 1 year	1 to 5 years	More than 5 years	Total
Revolving facility	-	770,354	-	770,354
Term loans	-	575,000	-	575,000
Unsecured debentures	-	125,000	-	125,000
Conditional sales contracts	29,807	42,758	-	72,565
Other long-term debt	822	25,909	-	26,731
	30,629	1,539,021	-	1,569,650

**14. Employee Benefits**

The Group sponsors defined benefit pension plans for 289 of its employees (2015 – 314).

These plans are all within Canada and includes one unregistered plan. All the defined benefit plans are no longer offered to employees and two defined benefits plan in the past have already been converted prospectively to defined contribution plans. Therefore, the future obligation will only vary by actuarial re-measurements.

With the exception of one plan, all other plans do not have recurring contributions for employees. These plans are still required to fund past service costs. The remaining plan is fully funded by the Group.

The Group measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2015 and the next required valuation will be as of December 31, 2016.

Information about the Group's defined benefit pension plans is as follows:

	2016	2015
Accrued benefit obligation	45,942	46,908
Fair value of plan assets	(31,660)	(33,147)
Plan deficit - employee benefit liability	14,282	13,761

Plan assets comprise:

	2016	2015
Equity securities	32%	32%
Debt securities	60%	60%
Other	8%	8%

All equity and debt securities have quoted prices in active markets. Debt securities are held through mutual funds and primarily hold investments with ratings of AAA or AA, based on Moody's ratings.

The other asset categories are real estate investment trusts.

Movement in the present value of the accrued benefit obligation for defined benefit plans:

	2016	2015
Accrued benefit obligation, beginning of year	46,908	46,620
Current service cost	541	481
Interest cost	1,744	1,775
Employee contributions	-	8
Benefits paid	(3,772)	(2,714)
Remeasurement loss (gain) arising from:		
- Financial assumptions	132	(13)
- Experience	389	751
Accrued benefit obligation, end of year	45,942	46,908

Movement in the fair value of plan assets for defined benefit plans:

	2016	2015
Fair value of plan assets, beginning of year	33,147	32,973
Interest income	1,206	1,262
Employer contributions	138	1,503
Employee contributions	-	8
Benefits paid	(3,772)	(2,714)
Remeasurement gain arising from financial assumptions	1,077	278
Plan administration expenses	(136)	(163)
Fair value of plan assets, end of year	31,660	33,147

Expense recognized in income or loss:

	2016	2015
Current service cost	541	481
Net interest cost	538	513
Plan administration expenses	136	163
Pension expense	1,215	1,157
Actual return on plan assets	2,283	1,540

Actuarial losses recognized in other comprehensive income:

	2016	2015
Amount accumulated in retained earnings, beginning of year	11,248	10,788
Recognized during the year	(556)	460
Amount accumulated in retained earnings, end of year	10,692	11,248
Recognized during the year, net of tax	(407)	338

The significant actuarial assumptions used (expressed as weighted average):

	2016	2015
Accrued benefit obligation:		
Discount rate at December 31	3.9%	3.9%
Future salary increases	2.9%	2.9%
Employee benefit expense:		
Discount rate at January 1	3.9%	3.9%
Rate of return on plan assets at January 1	3.9%	3.9%
Future salary increases	2.9%	2.9%

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the value of the liabilities in the defined benefit plans are as follows:

	2016	2015
Longevity at age 65 for current pensioners		
Males	21.6	21.6
Females	24.1	24.0
Longevity at age 65 for current members aged 45		
Males	22.7	22.7
Females	25.0	25.0

At December 31, 2016 the weighted-average duration of the defined benefit obligation was 12.8 years.

The following table presents the impact of changes of major assumptions on the defined benefit obligation for the years ended:

	2016		2015	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(5,169)	6,304	(5,207)	6,363
Life expectancy (1-year movement)	1,065	(1,097)	972	(973)

Historical information:

	2016	2015	2014	2013	2012
Present value of the accrued benefit obligation	45,942	46,908	46,620	41,441	41,847
Fair value of plan assets	(31,660)	(33,147)	(32,973)	(28,888)	(25,087)
Deficit in the plan	14,282	13,761	13,647	12,553	16,760
Experience adjustments arising on plan obligations	521	738	5,201	(1,161)	3,460
Experience adjustments arising on plan assets	1,077	278	2,492	2,736	273

The Group expects approximately \$1.0 million in contributions to be paid to its defined benefit plans in 2017.

**15. Provisions**

	Self insurance	Other	Total
Balance at January 1, 2016	22,044	10,758	32,802
Additions through business combinations	26,499	352	26,851
Provisions made during the year	37,765	3,168	40,933
Provisions used during the year	(27,796)	(1,895)	(29,691)
Provisions reversed during the year	(5,088)	(31)	(5,119)
Balance at December 31, 2016	53,424	12,352	65,776

**2016**

Current provisions (*)	21,370	-	21,370
Non-current provisions	32,054	12,352	44,406

**2015**

Current provisions (*)	22,044	-	22,044
Non-current provisions	-	10,758	10,758

(\*) The current provisions are presented in trade and other payables.

**16. Deferred tax assets and liabilities**

	2016	2015
Partnership investments	-	(9,953)
Property and equipment	(292,655)	(140,986)
Intangible assets	(155,801)	(117,351)
Derivative financial instruments and investment in equity securities	1,248	(534)
Long-term debt	5,903	10,553
Employee benefits	7,102	5,305
Provisions	19,163	10,671
Tax losses	550	14,284
Other	(442)	148
Net deferred tax liabilities	(414,932)	(227,863)
Presented as:		
Deferred tax assets	8,410	6,960
Deferred tax liabilities	(423,342)	(234,823)

Movement in temporary differences during the year:

	Balance December 31, 2014	Recognized in income or loss from continuing operations	Recognized in income or loss from discontinued operations	Recognized directly in equity	Acquired in business combinations	Transfer of deferred taxes to disposal group held for sale	Balance December 31, 2015
Partnership investments	(17,747)	7,794	-	-	-	-	(9,953)
Property and equipment	(154,972)	2,887	15,323	(9,944)	36	5,684	(140,986)
Intangible assets	(139,354)	6,227	1,071	(9,016)	(814)	24,535	(117,351)
Long-term debt	16,728	(4,165)	(292)	-	-	(1,718)	10,553
Employee benefits	5,342	(159)	-	122	-	-	5,305
Provisions	17,157	(2,234)	884	-	-	(5,136)	10,671
Tax losses	5,305	(3,446)	-	12,425	-	-	14,284
Other	1,596	(1,981)	-	-	-	(1)	(386)
Net deferred tax liabilities	(265,945)	4,924	16,985	(6,413)	(778)	23,364	(227,863)

	Balance December 31, 2015	Recognized in income or loss from continuing operations	Recognized in income or loss from discontinued operations	Recognized directly in equity	Acquired in business combinations	Transfer of deferred taxes to disposal group held for sale	Balance December 31, 2016
Partnership investments	(9,953)	9,953	-	-	-	-	-
Property and equipment	(140,986)	(1,680)	218	2,151	(153,122)	765	(292,654)
Intangible assets	(117,351)	14,222	(1,299)	1,001	(52,750)	375	(155,802)
Long-term debt	10,553	(4,650)	13	-	-	(13)	5,903
Employee benefits	5,305	1,850	-	(53)	-	-	7,102
Provisions	10,671	1,886	(572)	-	7,286	(108)	19,163
Tax losses	14,284	(13,734)	-	-	-	-	550
Other	(386)	4,389	(2,046)	(3,166)	-	2,015	806
Net deferred tax liabilities	(227,863)	12,236	(3,686)	(67)	(198,586)	3,034	(414,932)

Tax losses expire between 2030 and 2036 and the related deferred tax assets have been recognized because it is probable that future taxable income will be available to benefit from these losses.

## 17. Share capital and other components of equity

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. Both common and preferred shares are without par value. All issued shares are fully paid.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the common shares are entitled to receive the remaining property of the Company upon its dissolution, liquidation or winding-up.

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the Directors who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets of the Company among its shareholders, the holders of the preferred shares of each series are entitled to receive, with priority over the common shares and any other shares ranking junior to the preferred shares of the Company, an amount equal to the redemption price for such shares, plus an amount equal to any dividends declared thereon but unpaid and not more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

The following table summarizes the number of common shares issued:

<i>(in number of shares)</i>	Note	2016	2015
Balance, beginning of year		97,632,502	102,323,968
Repurchase and cancellation of own shares - Substantial issuer bid		(2,699,924)	-
Repurchase and cancellation of own shares		(3,742,778)	(4,834,300)
Stock options exercised	19	385,519	130,502
Warrants exercised		-	12,332
Balance, end of year		91,575,319	97,632,502

The following table summarizes the share capital issued and fully paid:

	2016	2015
Balance, beginning of year	764,343	799,100
Repurchase and cancellation of own shares	(50,478)	(37,764)
Cash consideration of stock options exercised	6,517	2,137
Ascribed value credited to share capital on stock options exercised	1,742	630
Issuance of shares on settlement of RSUs	1,266	-
Ascribed value credited to share capital on warrants exercised	-	240
Balance, end of year	723,390	764,343

Pursuant to the renewal of the normal course issuer bid ("NCIB") which began on September 30, 2016 and expiring on September 29, 2017, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. As at December 31, 2016, and since the inception of this NCIB, the Company has repurchased and cancelled 40,578 common shares under this NCIB.

During 2016, the Company repurchased 3,742,778 common shares at a price ranging from \$22.00 to \$27.30 per share for a total purchase price of \$91.8 million relating to the NCIB. During 2015, the Company repurchased 4,834,300 common shares at a price ranging from \$21.93 to \$27.92 per share for a total purchase price of \$121.8 million relating to a previous NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of \$62.4 million (2015 – \$84.0 million) was charged to retained earnings as share repurchase premium.

On February 11, 2016, the Company announced a substantial issuer bid ("SIB") to purchase, for cancellation, up to 10 million common shares for an aggregate purchase price not to exceed \$220 million (the 'Offer').

The Offer was made by way of a "modified Dutch Auction" pursuant to which shareholders may tender all or a portion of their shares (i) at a price not less than \$19.00 and not more than \$22.00 per share, in increments of \$0.10 per share, or (ii) without specifying a purchase price, in which case their shares would be purchased at the purchase price determined in accordance with the Offer.

The offer expired on March 28, 2016. The Company purchased and cancelled 2,699,924 common shares at a price of \$22.00 per share, for a total purchase price of \$59.4 million relating to this SIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of \$38.3 million was charged to retained earnings as share repurchase premium.

During 2015, 40,000 warrants with the exercise price of \$20.17 were exercised under the cashless exercise provision resulting in the issuance of 12,332 common shares of the Company. The cashless exercise provision of the warrants allows the holder to receive a number of common shares equivalent in value to the difference of the market price of the common shares underlying the number of warrants exercised and the exercise price, in lieu of cash or other consideration. The share price at the date of exercise was \$29.16. As at December 31, 2016, there were no outstanding warrants.

### **Contributed surplus**

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see note 19) and the value of the warrants issued.

### **Accumulated other comprehensive income ("AOCI")**

At December 31, 2016 and 2015, AOCI is comprised of accumulated foreign currency translation differences arising from the translation of the financial statements of foreign operations, changes in fair value of available for sale financial assets (prior to the adoption of IFRS 9), financial assets measured at fair value through OCI, gain or loss on net investment hedge, realized gains on investments, cash flow hedges and defined benefit plan remeasurement gain or loss.

### **Dividends**

In 2016, the Company declared dividends amounting to 70.0 cents per common share (2015 – 68.0 cents) for a total of \$64.9 million (2015 - \$67.8 million). After December 31, 2016 no dividends were declared by the Board of Directors.

## **18. Earnings per share**

### **Basic earnings per share**

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

<i>(in thousands of dollars and number of shares)</i>	<b>2016</b>	2015
Net income attributable to owners of the Company	<b>639,579</b>	163,437
Net income from continuing operations	<b>157,059</b>	145,732
Issued common shares, beginning of year	<b>97,632,502</b>	102,323,968
Effect of stock options and warrants exercised	<b>94,049</b>	100,982
Effect of repurchase of own shares	<b>(4,017,885)</b>	(2,218,888)
Weighted average number of common shares	<b>93,708,666</b>	100,206,062
Earnings per share – basic	<b>6.83</b>	1.63
Earnings per share from continuing operations – basic	<b>1.68</b>	1.45

***Diluted earnings per share***

The diluted earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

<i>(in thousands of dollars and number of shares)</i>	<b>2016</b>	<b>2015</b>
Net income attributable to owners of the Company	<b>639,579</b>	163,437
Net income from continuing operations attributable to owners of the Company, adjusted for dilution effect	<b>157,059</b>	145,732
Weighted average number of common shares	<b>93,708,666</b>	100,206,062
Dilutive effect:		
Stock options, restricted share units and warrants	<b>1,811,827</b>	1,787,827
Weighted average number of diluted common shares	<b>95,520,493</b>	101,993,889
Earnings per share - diluted	<b>6.70</b>	1.60
Earnings per share from continuing operations - diluted	<b>1.64</b>	1.43

As at December 31, 2016, 1,909,897 stock options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive (2015 – 1,383,814).

The average market value of the Company's shares for purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period during which the options were outstanding.

**19. Share-based payment arrangements**
***Stock option plan***

The Company offers a stock option plan for the benefit of certain of its employees. The maximum number of shares which may be issued under this plan may not exceed ten percent (10%) of the number of issued and outstanding shares of the Company from time to time. Each stock option entitles its holder to receive one common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing price of volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the grant date. The options vest in equal instalments over three years and the expense is recognized following the accelerated method as each instalment is fair valued separately. The table below summarizes the changes in the outstanding stock options:

<i>(in thousands of options and in dollars)</i>	<b>2016</b>		<b>2015</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, beginning of year	<b>4,934</b>	<b>16.67</b>	4,193	14.93
Granted	<b>1,039</b>	<b>24.64</b>	915	24.93
Exercised	<b>(386)</b>	<b>16.90</b>	(131)	16.37
Forfeited	<b>(91)</b>	<b>24.75</b>	(43)	23.21
Balance, end of year	<b>5,496</b>	<b>18.02</b>	4,934	16.67
Options exercisable, end of year	<b>3,764</b>	<b>14.92</b>	3,451	13.48

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016:

<i>(in thousands of options and in dollars)</i>	Options outstanding		Options exercisable
	Number of options	Weighted average remaining contractual life (in years)	Number of options
Exercise prices			
6.32	704	2.6	704
9.46	637	3.6	637
14.28	537	1.6	537
16.46	698	2.6	698
20.18	660	3.6	660
24.64	1,026	6.6	-
24.93	841	5.6	273
25.14	393	4.6	255
	<b>5,496</b>	<b>4.1</b>	<b>3,764</b>

Of the options outstanding at December 31, 2016, a total of 4,667,432 (2015 – 4,020,595) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in 2016 was \$29.99 (2015 – \$28.67).

In 2016, the Group recognized a compensation expense of \$3.1 million (2015 – \$3.1 million) with a corresponding increase to contributed surplus.

On July 21, 2016, the Board of Directors approved the grant of 1,038,657 stock options under the Company's stock option plan of which 721,516 were granted to key management personnel. The options vest in equal instalments over three years and have a life of seven years. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	July 21, 2016	July 23, 2015
Average expected option life	<b>4.5 years</b>	4.5 years
Risk-free interest rate	<b>0.56%</b>	0.73%
Expected stock price volatility	<b>23.01%</b>	24.85%
Average dividend yield	<b>2.83%</b>	2.68%
Weighted average fair value of options granted	<b>\$3.33</b>	\$3.86

#### ***Deferred share unit plan for board members***

The Company offers a deferred share unit plan ("DSU") for its board members. Under this plan, board members may elect to receive cash, deferred share units or a combination of both for their compensation. The following table provides the number of units related to this plan:

<i>(in units)</i>	2016	2015
Balance, beginning of year	<b>255,053</b>	217,557
Board members compensation	<b>36,031</b>	37,286
Deferred share units redeemed	<b>(38,108)</b>	(5,436)
Dividends paid in units	<b>7,591</b>	5,646
Balance, end of year	<b>260,567</b>	255,053

In 2016, the Group recognized, as a result of deferred share units, a compensation expense of \$1.0 million (2015 - \$1.0 million) with a corresponding increase to trade and other payables. In addition, in other finance costs, the Group recognized a mark-to-market expense on deferred share units of \$3.2 million (2015 - \$1.2 million gain).

As at December 31, 2016, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to \$9.1 million (2015 - \$6.0 million).

**Performance contingent restricted share unit plan**

The Company offers an equity incentive plan to the benefits of senior employees of the Group. The plan provides for the issuance of restricted share units ("RSUs") under conditions to be determined by the Board of Directors. The RSUs vest after 2.5 years of consecutive service from the grant date. The vesting period has been changed from 3 years of consecutive service following approval by the Board of Directors on July 21, 2016. The change has been applied to all outstanding RSUs. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

On July 21, 2016, the Company granted a total of 142,799 RSUs under the Company equity incentive plan of which 97,509 were granted to key management personnel. The fair value of the RSUs is determined to be the share price fair value at the date of the grant and is recognized as a share-based compensation expense, through contributed surplus, over the vesting period. The fair value of the RSU's granted during the period was \$24.64 per unit. The table below summarizes changes to the outstanding RSUs:

<i>(in thousands of RSUs and in dollars)</i>	<b>2016</b>		<b>2015</b>	
	<b>Number of RSUs</b>	<b>Weighted average exercise price</b>	<b>Number of RSUs</b>	<b>Weighted average exercise price</b>
Balance, beginning of year	224	25.01	83	25.14
Granted	143	24.64	144	24.93
Reinvested	7	24.98	3	25.07
Settled	(86)	25.13	(1)	25.12
Forfeited	(7)	24.95	(5)	25.10
Balance, end of year	281	24.78	224	25.01

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2016:

<i>(in thousands of RSUs and in dollars)</i>	<b>RSUs outstanding</b>	
	<b>Number of RSUs</b>	<b>Remaining contractual life (in years)</b>
Exercise prices		
24.64	142	2.0
24.93	139	1.0
	281	1.5

In 2016, the Group recognized as a result of RSUs a compensation expense of \$3.0 million (2015 - \$1.3 million) with a corresponding increase to contributed surplus.

The weighted average share price at the date of settlement of RSUs vested in 2016 was \$33.53 (2015 - \$25.51). The excess of the purchase price paid over the carrying value of shares repurchased for settlement of the award, in the amount of \$2.1 million (2015 - nil), was charged to retained earnings as share repurchase premium.

Of the RSUs outstanding at December 31, 2016, a total of 198,832 (2015 - 153,207) are held by key management personnel.

**20. Operating expenses**

The Group's operating expenses from continuing operations include: a) materials and services expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, which primarily include fuel, repairs and maintenance, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses; and d) depreciation, amortization and gain or loss on disposition of property and equipment and assets held for sale.

	2016	2015
Materials and services expenses		
Independent contractors	1,751,707	1,778,393
Vehicle operation expenses	600,887	607,578
	2,352,594	2,385,971
Personnel expenses	998,031	978,458
Other operating expenses	243,713	240,234
Depreciation of property and equipment	139,439	129,096
Amortization of intangible assets	53,647	47,130
Gain on sale of property and equipment	(20,429)	(23,565)
Gain on sale of assets held for sale	-	(3,896)
	3,766,995	3,753,428

**21. Personnel expenses**

	Note	2016	2015
Short-term employee benefits		970,855	950,615
Contributions to defined contribution plans		12,394	12,337
Current and past service costs related to defined benefit plans	14	541	481
Termination benefits		7,063	9,725
Equity-settled share-based payment transactions	19	6,164	4,356
Cash-settled share-based payment transactions	19	1,014	944
		998,031	978,458

**22. Finance income and finance costs**
**Recognized in income or loss:**

	2016	2015
Interest expense on long-term debt	41,201	60,036
Interest income and accretion on promissory note	(2,374)	-
Net foreign exchange loss (gain)	2,110	(1,145)
Net change in fair value of foreign exchange derivatives	(1,392)	7,194
Net change in fair value of interest rate derivatives	6,232	5,694
Other financial expenses	10,171	4,675
Reclassification to income of gain on investment in equity securities	(1,066)	(749)
Net finance costs	54,882	75,705
Presented as:		
Finance income	(4,832)	(1,894)
Finance costs	59,714	77,599

**23. Income tax expense**
**Income tax recognized in income or loss:**

	2016	2015
Current tax expense (recovery)		
Current year	63,324	66,434
Adjustment for prior years	(4,816)	(6,486)
	58,508	59,948
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(14,548)	(14,290)
Variation in tax rate	(34)	1,349
Adjustment for prior years	2,346	8,017
	(12,236)	(4,924)
Income tax expense from continuing operations	46,272	55,024

**Income tax recognized in other comprehensive income:**

	2016			2015		
	Before tax	Tax (benefit) expense	Net of tax	Before Tax	Tax benefit	Net of tax
Change in fair value of investment in equity securities	(1,217)	(163)	(1,054)	-	-	-
Foreign currency translation differences	(24,788)	-	(24,788)	116,881	-	116,881
Defined benefit plan remeasurement gains (losses)	556	149	407	(460)	(122)	(338)
Employee benefit	(316)	(95)	(221)	-	-	-
Reclassification to income of accumulated unrealized loss on investment in equity securities	(300)	(40)	(260)	-	-	-
Gain (loss) on net investment hedge	25,824	3,451	22,373	(114,180)	(15,192)	(98,988)
Gain on cash flow hedge	12,454	3,329	9,125	-	-	-
	12,213	6,631	5,582	2,241	(15,314)	17,555

**Reconciliation of effective tax rate:**

	2016	2015
Income before income tax	203,331	200,756
Income tax using the Company's statutory tax rate	26.9% 54,696	26.9% 54,004
Increase (decrease) resulting from:		
Rate differential between jurisdictions	(3.7%) (7,588)	(3.1%) (6,302)
Variation in tax rate	0.0% (34)	0.7% 1,410
Non deductible expenses	1.9% 3,950	2.2% 4,459
Tax exempt income	(1.2%) (2,365)	(1.3%) (2,653)
Adjustment for prior years	(1.2%) (2,470)	0.8% 1,531
Others	0.0% 83	1.3% 2,575
	22.7% 46,272	27.5% 55,024

**24. Financial instruments and financial risk management**

Derivative financial instruments' fair values were as follows:

		Measured at fair value through income or loss		Designated as effective cash flow hedge instruments	
	Note	2016	2015	2016	2015
Current assets					
Cross currency interest rate swap contracts	d	-	11,375	-	-
Interest rate derivatives	e	-	-	741	-
		-	11,375	741	-
Non-current assets					
Interest rate derivatives	e	1,287	-	-	-
Current liabilities					
Foreign exchange derivatives	d	-	230	-	-
Embedded foreign exchange derivatives in finance leases	d	1,062	700	-	-
Interest rate derivatives	e	162	2,133	1,152	-
		1,224	3,063	1,152	-
Non-current liabilities					
Embedded foreign exchange derivatives in finance leases	d	496	2,427	-	-
Interest rate derivatives	e	-	7,152	3,211	-
		496	9,579	3,211	-

As at December 31, 2016 and 2015, the impact to income or loss and other comprehensive income is as follows:

	Finance loss (income)		Other comprehensive loss	
	2016	2015	2016	2015
<b>Derivative financial instruments measured at fair value through income or loss:</b>				
Cross currency interest rate swap contracts	11,375	(12,126)	-	-
Interest rate derivatives	6,232	5,694	-	-
Foreign exchange derivatives	177	4,067	-	-
Embedded foreign exchange derivatives in finance leases	(1,569)	3,127	-	-
<b>Derivative financial instruments measured at fair value through other comprehensive income:</b>				
Interest rate derivatives	-	-	(12,454)	-
	16,215	762	(12,454)	-

**Risks**

In the normal course of its operations and through its financial assets and liabilities, the Group is exposed to the following risks:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives and processes for managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

**Risk management framework**

The Group's management identifies and analyzes the risks faced by the Group, sets appropriate risk limits and controls, and monitors risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility of the Group's risk management framework. The Board of Directors monitors the Group's risks through its audit committee. The audit committee reports regularly to the Board of Directors on its activities.

The Group's audit committee oversees how management monitors and manages the Group's risks and is assisted in its oversight role by the Group's internal audit. Internal audit undertakes both regular and ad hoc reviews of risk, the results of which are reported to the audit committee.

**a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's trade receivables. The Group grants credit to its customers in the ordinary course of business. Management believes that the credit risk of trade receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments;
- No single customer accounts for more than 10% of the Group's revenue;
- Approximately 92.9% (2015 – 93.6%) of the Group's trade receivables are not past due or 30 days or less past due;
- Bad debt expense has been approximately 0.1% (2015 – 0.1%) of consolidated revenues for the last 3 years.

**Exposure to credit risk**

The Group's maximum credit exposure corresponds to the carrying amount of the financial assets. The maximum exposure to credit risk at the reporting date was:

	2016	2015
Trade and other receivables	569,181	507,872
Promissory note	18,962	-
Derivative financial assets	2,028	11,375
	590,171	519,247

**Impairment losses**

The aging of trade and other receivables at the reporting date was:

	Total 2016	Impairment 2016	Total 2015	Impairment 2015
Not past due	414,794	-	380,570	-
Past due 1 – 30 days	114,523	643	95,687	1,028
Past due 31 – 60 days	25,328	1,928	15,753	3,083
Past due more than 60 days	20,961	3,854	26,139	6,166
	575,606	6,425	518,149	10,277

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2016	2015
Balance, beginning of year	10,277	11,899
Business combinations	1,943	-
Bad debt expenses	113	2,116
Amount written off and recoveries	(5,908)	(2,619)
Reclassified to disposal group held for sale	-	(1,119)
Balance, end of year	6,425	10,277

The impaired trade receivables are mostly due from customers that are experiencing financial difficulties.

The promissory note has been individually evaluated for impairment due to its significance.

**b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Cash inflows and cash outflows requirements from Group's entities are monitored closely and separately to ensure the Group optimizes its cash return on investment. Typically, the Group ensures that it has sufficient cash to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Group monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools. In addition, the Group maintains a revolving facility, which has \$410.0 million availability at December 31, 2016 (2015 - \$229.4 million) and has an additional \$250 million credit available (C\$245 million and US\$5 million) under certain conditions under its syndicated bank agreement (2015 - \$250 million, C\$245 million and US\$5 million).

The following are the contractual maturities of the financial liabilities, including estimated interest payment:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
<b>December 31, 2016</b>						
Trade and other payables	455,175	455,175	455,175	-	-	-
Long-term debt	1,584,815	1,741,045	91,092	303,998	1,345,955	-
Derivatives financial liabilities	6,083	6,083	2,376	1,649	1,953	105
Other financial liability	5,447	5,692	1,300	1,300	3,092	-
	<b>2,051,520</b>	<b>2,207,995</b>	<b>549,943</b>	<b>306,947</b>	<b>1,351,000</b>	<b>105</b>
<b>December 31, 2015</b>						
Bank indebtedness	19,112	19,112	19,112	-	-	-
Trade and other payables	416,015	416,015	416,015	-	-	-
Long-term debt	1,615,100	1,690,892	641,953	854,003	194,936	-
Derivatives financial liabilities	12,642	12,642	3,063	4,258	4,727	594
Other financial liability	2,941	2,941	-	-	2,941	-
	<b>2,065,810</b>	<b>2,141,602</b>	<b>1,080,143</b>	<b>858,261</b>	<b>202,604</b>	<b>594</b>

It is not expected that the contractual cash flows could occur significantly earlier, or at significantly different amounts.

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group's management and it does not use derivatives for speculative purposes.

**d) Currency risk**

The Group is exposed to currency risk on financial assets and liabilities, sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Primarily the Canadian entities are exposed to U.S. dollars and entities having a functional currency other than the Canadian dollars (foreign operations) are not significantly exposed to currency risk. The Group mitigates and manages its future US\$ cash flow by creating offsetting positions through the use of derivatives. These instruments include foreign exchange contracts and currency option instruments, which are commitments to buy or sell at a future date, and may be settled in cash.

The Group mitigates its financial net liabilities exposure to foreign currency risk related to Canadian entities by holding monthly cross currency interest rate swap contracts, which swaps U.S. dollar principal into Canadian dollars. These instruments were recorded into the consolidated statement of financial position at their fair value which has a current liability of nil at December 31, 2016 (2015 – asset of \$11.4 million). Also, the Group designated a portion of its U.S. dollar denominated debt as a hedging item in a net investment hedge.

The Group's financial assets and liabilities exposure to foreign currency risk related to Canadian entities was as follows based on notional amounts:

<i>(in thousands of U.S. dollars)</i>	<b>2016</b>	<b>2015</b>
Trade and other receivables	<b>37,644</b>	38,991
Trade and other payables	<b>(5,248)</b>	(4,768)
Long-term debt	<b>(332,539)</b>	(704,995)
Balance sheet exposure	<b>(300,143)</b>	(670,772)
Cross currency interest rate swap contracts	-	217,800
Long-term debt designated as investment hedge	<b>325,000</b>	466,000
Net balance sheet exposure	<b>24,857</b>	13,028

The Group estimates its annual net US\$ denominated cash flow from operating activities at approximately \$240 million (2015 - \$260 million). This cash flow is earned evenly throughout the year.

The following exchange rates applied during the year:

	<b>2016</b>	<b>2015</b>
Average US\$ for the year ended December 31	<b>1.3245</b>	1.2785
Closing US\$ as at December 31	<b>1.3427</b>	1.3840

The Group's foreign exchange derivatives are as follows:

	Exchange rate	Maturity	Notional contract amount US\$	Fair value CDN\$
<b>December 31, 2016</b>				
Sell contracts and currency options (US\$ for CDN\$)	-	-	-	-
<b>December 31, 2015</b>				
Sell contracts and currency options (US\$ for CDN\$):				
Foreign exchange contracts and currency option instruments	1.04 - 1.13	Less than 1 year	500	(230)
Cross currency interest rate swap contracts	1.384	Less than 1 year	217,800	11,375
Assets (liabilities)				11,145

The fair value of foreign exchange forward and currency option contracts has been estimated using rates published by the financial institution which is counterparty to these.

**Sensitivity analysis**

A 1-cent increase in the U.S. dollar at the reporting date, assuming all other variables, in particular interest rates, remain constant, would have increased (decreased) equity and income or loss by the amounts shown below. The analysis is performed on the same basis for 2015.

	2016		2015	
	1-cent Increase	1-cent Decrease	1-cent Increase	1-cent Decrease
Balance sheet exposure	(2,235)	2,235	(4,846)	4,846
Cross currency interest rate swap contracts	-	-	1,577	(1,577)
Long-term debt designated as investment hedge	2,420	(2,420)	3,367	(3,367)
Net balance sheet exposure	185	(185)	98	(98)

Net impact on change in fair value of foreign exchange derivatives is not significant.

**e) Interest rate risk**

The Group's intention is to minimize its exposure to changes in interest rates by maintaining a significant portion of fixed-rate interest-bearing long-term debt. This is achieved by entering into interest rate swaps.

On October 27, 2016, pursuant to the adoption of IFRS 9, the Group entered into interest rate swaps designated for cash flow hedges at the inception of the swap for \$500 million. This variable interest debt sets interest using the 30-day Banker's Acceptance rate. In addition, on November 1, 2016, the Group further designated for cash flow hedges of pre-existing interest rate swaps of \$325 million to hedge variable interest debt set using the 30-day Libor rate. The cumulative impact of these cash flow hedges was the recording of a \$12.5 million gain (\$9.1 million, net of tax) on the marking-to-market of the interest rate derivative to other comprehensive income.

Ineffectiveness in hedging stems from differences between the hedged item and hedging instruments with respect to interest rate characteristics, currency, notional values and term. For the year ended December 31, 2016, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

At December 31, 2016 and 2015, the interest rate profile of the Group's carrying amount interest-bearing financial instruments excluding the effects of interest rate derivatives was:

	2016	2015
Fixed rate instruments	337,661	251,163
Variable rate instruments	1,247,154	1,363,937
	1,584,815	1,615,100

The Group's interest rate derivatives are as follows:

	2016					2015		
	Average B.A. rate	Notional Contract Amount CAD\$	Average Libor rate	Notional Contract Amount US\$	Fair value CDN\$	Average Libor rate	Notional Contract Amount US\$	Fair value CDN\$
Coverage period:								
Less than 1 year	0.98%	500,000	1.85%	350,000	(573)	1.58%	475,000	(2,133)
1 to 2 years	0.98%	500,000	1.92%	325,000	(411)	1.85%	350,000	(1,831)
2 to 3 years	0.99%	300,000	1.92%	325,000	(605)	1.92%	325,000	(1,794)
3 to 4 years	-	-	1.89%	237,500	(661)	1.92%	325,000	(1,794)
4 to 5 years	-	-	1.92%	100,000	(141)	1.89%	237,500	(1,139)
5 to 6 years	-	-	1.92%	75,000	(106)	1.92%	100,000	(382)
6 to 7 years	-	-	-	-	-	1.92%	75,000	(212)
<b>Liabilities</b>					<b>(2,497)</b>			<b>(9,285)</b>
Presented as:								
Current assets					741			-
Non-current assets					1,287			-
Current liabilities					(1,314)			(2,133)
Non-current liabilities					(3,211)			(7,152)

The fair value of the interest rate swaps has been estimated using industry standard valuation models which use rates published on financial capital markets.

#### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial liabilities at fair value through income or loss. Therefore a change in interest rates at the reporting date would not affect income or loss.

#### **Cash flow sensitivity analysis for variable rate instruments**

A 1% change in interest rates at the reporting date would have increased (decreased) equity and net income or net loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2016		2015	
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(2,272)	2,272	(9,970)	9,970
Interest on interest rate swaps	245	(245)	4,806	(4,806)
	<b>(2,027)</b>	<b>2,027</b>	<b>(5,164)</b>	<b>5,164</b>

Impact on instruments used in cash flow hedge:

	2016		2015	
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(6,845)	6,845	-	-
Interest on interest rate swaps	6,845	(6,845)	-	-
	-	-	-	-

Net impact on change in fair value of interest rate swaps is not significant.

**f) Capital management**

For the purposes of capital management, capital consists of share capital and retained earnings of the Group. The Group's objectives when managing capital are:

- To ensure proper capital investment in order to provide stability and competitiveness to its operations;
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions;
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital; and
- To maintain investors, creditors and market confidence.

The Group seeks to maintain a balance between the highest returns that might be possible with higher level of borrowings and the advantages and security by a sound capital position.

The Group monitors its long-term debt using the ratios below to maintain an appropriate debt level. The Group's debt-to-equity and debt-to-capitalization ratios are as follows:

	<b>2016</b>	<b>2015</b>
Long-term debt	<b>1,584,815</b>	1,615,100
Shareholders' equity	<b>1,458,650</b>	1,019,799
Debt-to-equity ratio	<b>1.09</b>	1.58
Debt-to-capitalization ratio	<b>0.52</b>	0.61

There were no changes in the Group's approach to capital management during the year.

The Group's credit facility agreement requires monitoring two ratios on a quarterly basis. The first is a ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income taxes, depreciation and amortization ("EBITDA"). The second is a ratio of adjusted earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR"), and, including last twelve months adjusted EBITDAR from acquisitions to interest and net rent expenses. These ratios are measured on a consolidated last twelve-month basis and must be kept below a certain threshold so as not to breach a covenant in the Group's syndicated bank. At December 31, 2016 and December 31, 2015, the Group was in compliance with its financial covenants.

The Group has sufficient liquidity to continue both its operations as well as its acquisition strategy.

Upon maturity of the Group's long-term debt, the Group's management and its Board of Directors will assess if the long-term debt should be renewed at its original value, increased or decreased based on the then required capital need, credit availability and future interest rates.

**g) Accounting classification and fair values**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Assets carried at fair value				
Derivative financial instruments	2,028	2,028	11,375	11,375
Investment in equity securities	15,884	15,884	-	-
Assets carried at amortized cost				
Cash and cash equivalents	3,654	3,654	-	-
Trade and other receivables	569,181	569,181	507,872	507,872
Promissory note	18,962	18,962	-	-
	<b>609,709</b>	<b>609,709</b>	<b>519,247</b>	<b>519,247</b>
<b>Financial liabilities</b>				
Liabilities carried at fair value				
Derivative financial instruments	6,083	6,083	12,642	12,642
Other financial liability	5,447	5,447	2,941	2,941
Liabilities carried at amortized cost				
Bank indebtedness	-	-	19,112	19,112
Trade and other payables	455,175	455,175	416,015	416,015
Long-term debt	1,584,815	1,647,483	1,615,100	1,619,805
	<b>2,051,520</b>	<b>2,114,188</b>	<b>2,065,810</b>	<b>2,070,515</b>

**Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at December 31 plus an adequate credit spread, and were as follows:

	2016	2015
Long-term debt	3.1%	2.6%

**Fair value hierarchy**

Group's financial assets and liabilities recorded at fair value on a recurring basis are investment in equity securities and the derivative financial instruments discussed above. Investment in equity securities are measured using level-1 inputs of the fair value hierarchy and derivative financial instruments are measured using level-2 inputs.

The forward purchase agreement liability and the promissory note are valued at the fair value using level 3 inputs in the fair value hierarchy. The fair value of the forward purchase agreement liability represents the present value of the exercise price of the forward and is measured by applying the income approach using the probability-weighted expected payment of the exit price and is based on discounted cash flows. Unobservable inputs within the fair value measurement include the exit price and the expected payment date for the written put options. The exit price is based on a formulaic variable price which is mainly a function of earnings levels in future periods and requires assumptions about revenue growth rates and operating margins and the expected payment date of the exit price. If the future earnings levels in the future periods would increase (decrease), the estimated fair value of forward purchase agreement liability would increase (decrease).

The fair value of the promissory note represents the present value of the future cash flows, based on the interest rate of the note, discounted by the company specific rate of the counterparty of the note. The company specific rate is comprised of a risk-free market rate and a company specific premium based on their risk profile. The counterparty to the note is GFL, a private company, for which limited publicly available information exist. At the issuance of the promissory note, the fair value was established using public information on the source of funding to acquire the Waste Management segment. Subsequent to the initial measurement, adjustments to the company risk premium are made based on the analysis of published financial information and on significant macro environmental factors impacting their segment. The risk-free market rate is publicly available.

## 25. Operating leases, contingencies and letters of credit

### a) Operating leases

The Group entered into operating leases expiring on various dates through March 2035, with respect to rolling stock, real estate and other. The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Less than 1 year	128,339	116,952
Between 1 and 5 years	246,284	237,951
More than 5 years	100,898	124,824
	475,521	479,727

In 2016, expense of \$134.3 million was recognized in income or loss in respect of operating leases (2015 – \$126.6 million).

### b) Contingencies

There are pending operational and personnel related claims against the Group. The Group has accrued \$6.7 million for claim settlements which are presented in long term provisions on the consolidated statements of financial position. In the opinion of management, these claims are adequately provided for and settlement should not have a significant impact on the Group's financial position or results of operations.

### c) Letters of credit

As at December 31, 2016, the Group had \$40.1 million of outstanding letters of credit (2015 - \$32.6 million).

## 26. Related parties

### *Parent and ultimate controlling party*

There is no single ultimate controlling party. The shares of the Company are widely held.

### *Transactions with key management personnel*

Board members of the Company, executive officers and top managers of major Group's entities are deemed to be key management personnel. There is no transaction with key management personnel other than their respective compensation.

### *Key management personnel compensation*

In addition to their salaries, the Company also provides non-cash benefits to board members and executive officers.

Executive officers also participate in the Company's stock option and performance contingent restricted share unit plans and board members are entitled to deferred share units, as described in note 19. Costs incurred for key management personnel in relation to these plans are detailed below.

Key management personnel compensation comprised:

	2016	2015
Short-term benefits	18,019	9,322
Post-employment benefits	975	674
Equity-settled share-based payment transactions	4,231	2,975
Cash-settled share-based payment transactions	934	941
	24,159	13,912

**27. Subsequent event**

On January 28, 2017, the group acquired Cavalier Transportation Services Inc. ("Cavalier") for \$37.2 million. Cavalier provides domestic and U.S. service in the Great Lakes region in the Less-Than-Truckload segment.