IBI Group 2016 Fourth-Quarter Management Discussion and Analysis

THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2016

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

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The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three and twelve months ended December 31, 2016 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2016, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2016 is or will be available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 37 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See "Forward Looking Statements and Risk Factors" below for more information.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2016. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management

believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of March 8, 2017.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward looking information as necessary.

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a global architecture, engineering, planning and technology entity, which operates 63 offices in 11 countries across the world.

IBI Group has one operating segment, consulting services, which is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

OUTLOOK

The following represents forward looking information and users are cautioned that actual results may vary.

Management is forecasting approximately $363 million in total revenue for the year ended December 31, 2017. The Company currently has $331 million of work that is committed and under contract for the next three years. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in 2017. The Company has approximately ten months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 31, 2016).

The Company bases its view of industry performance on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc ("EFCG") which focuses on architecture and engineering industries.
2. The reported performance of the Company's direct competitors.
3. The reports published by market analysts covering firms in the Company's business sectors.

The Company has returned to Adjusted EBITDA[1] margins in line with industry averages. Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts are underway to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process. The Company continues to seek out opportunities to enhance profitability.

[1] *See "Definition of Non-IFRS Measures".*

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2016	**2015**	**2016**	**2015**
	(unaudited)	*(unaudited)*		
Number of working days *(unaudited)*	**63**	63	**251**	251
Revenue	**$ 86,841**	$ 84,913	**$ 354,140**	$ 327,092
Net income from continuing operations	**$ 7,594**	$ 990	**$ 3,494**	$ 11,336
Net loss from discontinued operations	**$ -**	$ (462)	**$ -**	$ (1,873)
Net income	**$ 7,594**	$ 528	**$ 3,494**	$ 9,463
Cash flows provided by operating activities	**$ 17,247**	$ 14,248	**$ 30,850**	$ 30,826
Basic and diluted earnings per share	**$ 0.24**	$ 0.02	**$ 0.11**	$ 0.41
Basic earnings per share from continuing operations	**$ 0.24**	$ 0.04	**$ 0.11**	$ 0.49
Basic and diluted earnings per share from discontinued operations	**$ -**	$ (0.02)	**$ -**	$ (0.08)
Adjusted EBITDA[1] *(unaudited)*	**$ 7,480**	$ 8,279	**$ 39,247**	$ 34,387
Adjusted EBITDA[1] as a percentage of revenue *(unaudited)*	**8.6%**	9.7%	**11.1%**	10.5%

1- See "Definition of Non-IFRS Measures".

OVERVIEW

KEY EVENTS

- Revenue increased to $86.8 million for the three months ended December 31, 2016 compared to $84.9 million for the same period in 2015, which reflects an increase of $1.9 million or 2.3%, and $354.1 million for the year ended December 31, 2016 compared to $327.1 million for the same period in 2015, which reflects an increase of $27.0 million or 8.3%.

- Adjusted EBITDA[1] has decreased to $7.5 million for the three months ended December 31, 2016 compared to $8.3 million for the same period in 2015, which reflects a decrease of $0.8 million or 9.7%, and $39.2 million for the year ended December 31, 2016 compared to $34.4 million for the same period in 2015, which reflects an increase of $4.9 million or 14.1%.

- The Company issued 5.5% convertible unsecured subordinated debentures (principal $46 million, maturing on December 31, 2021). The net proceeds of $43.4 million upon issuance were used to repay the Company's credit facilities.

- On October 24, 2016, the Company financed the partial redemption of its 6.0% debentures for $43.8 million cash from the credit facilities. On December 30, 2016, the Company redeemed the remaining portion of the 6.0% debentures for $13.7 million using the funds available from its Sinking Fund balance.

- On October 31, 2016, the Company redeemed the 7.0% debentures under Options B and C for $31.2 million by issuing 6,220,076 common shares.

- The Company made the required deposit toward the Sinking Fund for $3.25 million during the three months ended December 31, 2016.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended December 31, 2016 was $86.8 million, compared with $84.9 million in the same period in 2015, an increase of 2.3%. Revenue for the year ended December 31, 2016 was $354.1 million, compared with $327.1 million for the same period in 2015, an increase of 8.3%.

For the three months ended December 31, 2016, the Company had net income from continuing operations of $7.6 million compared with $1.0 million for the same period in 2015. The change in net income from continuing operations for the three months ended December 31, 2016 is attributable to an increase in revenue, a decrease in interest expense and a positive impact of the gain on fair value of the derivative liability.

Net income from continuing operations for the year ended December 31, 2016 was $3.5 million compared to $11.3 million for the same period in 2015. Net income from continuing operations for the year ended December 31, 2016 is inclusive of a foreign exchange loss of $7.4 million, compared to a foreign exchange gain of $8.7 million, which was included in net income for the same period in 2015. The Company recorded a foreign exchange gain of $8.7 million during the year ended December 31, 2015, as the Canadian dollar weakened against the US dollar and British pound. The foreign exchange loss during the year ended December 31, 2016 reflects the reversal of trends in global currency markets.

[1] *See "Definition of Non-IFRS Measures".*

Basic and diluted earnings per share from continuing operations was $0.24 per share for the three months ended December 31, 2016, compared to $0.04 for the same period in 2015. Basic and diluted earnings per share from continuing operations was $0.11 per share for the year ended December 31, 2016, compared to $0.49 for the same period in 2015.

RESULTS OF OPERATIONS

The results of operations presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2016	2015	2016	2015
(thousands of Canadian dollars, except per share amounts)	*(unaudited)*	*(unaudited)*		
Revenue	$ 86,841	$ 84,913	$ 354,140	$ 327,092
Expenses				
Salaries, fees and employee benefits	61,914	59,174	248,869	229,900
Rent	5,947	5,856	22,740	23,466
Other operating expenses	10,502	10,321	41,781	37,136
Foreign exchange loss (gain)	(1,215)	(1,812)	7,363	(8,699)
Amortization of intangible assets	293	205	1,002	784
Depreciation of property and equipment	1,168	1,195	4,323	4,024
Decrease in fair value of other financial liabilities	(1,819)	-	(1,819)	-
Impairment of financial assets	558	1,033	1,653	1,486
	$ 77,348	$ 75,972	$ 325,912	$ 288,097
OPERATING INCOME	$ 9,492	$ 8,941	$ 28,228	$ 38,995
Interest expense, net	3,064	5,651	25,553	21,792
Other finance costs	414	389	1,642	908
FINANCE COSTS	$ 3,478	$ 6,040	$ 27,195	$ 22,700
Share of loss of equity-accounted investee, net of tax	-	149	32	785
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS	$ 6,014	$ 2,752	$ 1,001	$ 15,510
Current tax expense (recovery)	1,147	(940)	2,908	381
Deferred tax (recovery) expense	(2,727)	2,702	(5,401)	3,793
INCOME TAXES	$ (1,580)	$ 1,762	$ (2,493)	$ 4,174
Net income from continuing operations	$ 7,594	$ 990	$ 3,494	$ 11,336
Net loss from discontinued operations	$ -	$ (462)	$ -	$ (1,873)
NET INCOME	$ 7,594	$ 528	$ 3,494	$ 9,463
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that are or may be reclassified to profit or loss				
Loss on translating financial statements of foreign operations from continuing operations, net of tax	$ (1,265)	$ (838)	$ (105)	$ (1,054)
OTHER COMPREHENSIVE LOSS, NET OF TAX	(1,265)	(838)	(105)	(1,054)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ 6,329	$ (310)	$ 3,389	$ 8,409
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	$ 6,089	$ 413	$ 2,814	$ 7,381
Non-controlling interests	1,505	115	680	2,082
NET INCOME	$ 7,594	$ 528	$ 3,494	$ 9,463
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	$ 5,079	$ (241)	$ 2,730	$ 6,559
Non-controlling interests	1,250	(69)	659	1,850
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 6,329	$ (310)	$ 3,389	$ 8,409
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic and diluted earnings per share	$ 0.24	$ 0.02	$ 0.11	$ 0.41
Basic and diluted earnings per share from continuing operations	$ 0.24	$ 0.04	$ 0.11	$ 0.49
Basic and diluted earnings per share from discontinued operations	$ -	$ (0.02)	$ -	$ (0.08)

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company reports revenue net of direct recoverable costs as these costs can vary significantly from contract to contract and are not indicative of its professional services business.

Revenue for the three months ended December 31, 2016 increased by $1.9 million or 2.3% compared to the same period in 2015. The increase in revenue is due to growth in the United States and International geographical segments, including continuing work on significant transit projects. Growth has slowed in the Company's international segment, which includes the UK, due to uncertainty in the UK of Brexit and the related decrease in the value of the British pound. Revenue for the three months ended December 31, 2016 in the UK decreased by $2.6 million or 25% compared to the same period in 2015.

Revenue for the year ended December 31, 2016 increased by $27.0 million or 8.3% compared to the same period in 2015. The increase in revenue is due to growth in all geographical segments, including continuing work on significant transit projects. Although there has been overall growth in the International segment the UK experienced a reduction in revenues of $6.3 million due to the uncertainty of Brexit and the related decrease in the value of the British pound. Significant effort has been incurred on major transit projects during the year, the benefit of which is expected to be realized in future periods.

The impact of foreign exchange on revenue for the year ended December 31, 2016 was an additional $2.2 million of revenue compared to the same period in 2015.

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2016 was $61.9 million compared with $59.2 million in the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the three months ended December 31, 2016 was 71.3% compared to 69.7% for the same period in 2015.

Salaries, fees and employee benefits for the year ended December 31, 2016 was $248.9 million, compared with $229.9 million for the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the year ended December 31, 2016 remained unchanged from the same period in 2015 at 70.3%, which is consistent with the budgeted compensation target of 70%.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2016 was $0.2 million additional expense compared to the same period in 2015. The impact of foreign exchange on salaries, fees and employee benefits for the year ended December 31, 2016 was an additional $1.5 million of expense compared to the same period in 2015.

iii) RENT FROM CONTINUING OPERATIONS

Rent for the three months ended December 31, 2016 remained unchanged from the same period in 2015 at $5.9 million. Rent for the year ended December 31, 2016 was $22.7 million, compared with $23.5 million for the same period in 2015.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2016 was $10.5 million, compared with $10.3 million for the same period in 2015. As a percentage of revenues, operating expenses for the three months ended December 31, 2016 and 2015, respectively were 12.1%.

Other operating expenses for the year ended December 31, 2016 was $41.8 million, compared to $37.1 million for the same period in 2015. As a percentage of revenues, operating expenses for the year ended December 31, 2016 were 11.8% compared to 11.4% for the same period in 2015. The impact of foreign exchange on other operating expenses for the year ended December 31, 2016 was an additional $0.2 million of expense compared to the same period in 2015.

A reduction in overhead expenses as a percentage of revenues will continue to be an area of focus for the Company as we look to improve overall efficiency.

v) FOREIGN EXCHANGE LOSS (GAIN)

Foreign exchange gain for the three months ended December 31, 2016 was $1.2 million compared to $1.8 million in the same period in 2015. Foreign exchange loss for the year ended December 31, 2016 was $7.4 million compared to a gain of $8.7 million for the same period in 2015.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, US dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, as well as intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that is not considered part of the permanent investment in the foreign subsidiaries, offset by the foreign exchange impact of its US dollar drawings on its credit facilities.

The foreign exchange loss for the year ended December 31, 2016, relates to the reversal of the foreign exchange gains on the US dollar and British pound recognized in 2015 of $8.7 million.

Although the Company strives to minimize its exposure to foreign exchange fluctuations on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations by matching US dollar liabilities when possible, the Company's primary objective is to ensure it has sufficient cash flow to meet its short and long-term obligations. As such, the Company closely monitors its availability in its credit facilities based on foreign exchange rate fluctuations between the Canadian and US dollar, as well as ensures that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was $0.3 million for the three months ended December 31, 2016 compared to $0.2 million for the three months ended December 31, 2015. Amortization of intangible assets for the year ended December 31, 2016 was $1.0 million compared to $0.8 million for the year ended December 31, 2015. The increase in amortization in each period is a result of commencing amortization of the ERP system.

vii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended December 31, 2016 was $1.2 million compared to $1.2 million for the same period in 2015.

Amortization of property and equipment for the year ended December 31, 2016 was $4.3 million compared to $4.0 million for the same period in 2015.

viii) DECREASE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

Change in fair value of other financial liabilities for the three months ended December 31, 2016 was a gain of $1.8 million compared to $nil for the same period in 2015 Change in fair value of other financial liabilities for the year ended December 31, 2016 was a gain of $1.8 million compared to $nil for the same period in 2015. The gain is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% debentures.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2016 was $0.6 million compared to $1.0 million in the same period in 2015. The decrease is consistent with the Company's ongoing efforts to focus on collections, resulting in a decrease in write-offs of accounts receivable. Impairment of financial assets for the year ended December 31, 2016 was $1.7 million compared to $1.5 million for the same period in 2015. The impairment of financial assets during the year ending December 31, 2015 included recoveries of amounts that were previously written off in 2013.

x) INTEREST EXPENSE

Interest expense from continuing operations for the three months ended December 31, 2016 was $3.1 million compared to $5.6 million for the same period in 2015. The decrease of $2.5 million is attributable to a reduction of $0.4 million in interest on long-term debt, a reduction of $1.1 million in interest on debentures, and a decrease of $1.0 million in accretion expense due to the redemptions of the 6% debentures in October 2016 and December 2016 as well as the redemption of the 7% debentures option B and C in October 2016 respectively.

Interest expense for the year ended December 31, 2016 was $25.5 million compared with $21.8 million for the same period in 2015. The increase of $3.8 million is primarily attributable to an increase of $9.1 million due to accretion expense of convertible debentures redeemed in 2016. See discussion in the liquidity risk section of this MD&A for further details. The increase in accretion expense was offset by a decrease of $2.4 million in interest on long-term debt, a decrease of $1.9 million on interest on convertible debentures and a decrease of $1.1 million in other interest as a result of a decrease in interest on the indebtedness owing to the Management Partnership, which was repaid on December 2015 and the repayment of the vendor notes on June 30, 2016.

xi) OTHER FINANCE COSTS

Other finance costs for the three months ended December 31, 2016 was $0.4 million compared to $0.4 million for the same period in 2015. Other finance costs for the year ended December 31, 2016 were $1.6 million compared to $0.9 million for the same period in 2015. The increase of $0.7 million is attributable to an increase of $0.8 million of amortization of deferred financing costs related to the renegotiation of the credit facilities in Q4 2015.

xii) INCOME TAXES

Income taxes for the three months ended December 31, 2016 was a recovery of $1.6 million with an effective income tax rate of (26.0)% compared to an expense of $1.8 million with an effective income tax rate of 64.0% for the same period in 2015. The decrease in the effective tax rate for the three months ended December 31, 2016 was principally as a result of recognition of previously unrecognized deferred tax assets. The tax expense for the three months ended December 31, 2015 was attributable to the composition of income in the various jurisdictions in which the Company operates and changes in the valuation of deferred tax assets.

Income taxes for the year ended December 31, 2016 was a recovery of $2.5 million with an effective tax rate of (248.9)% compared to an expense of $2.8 million with an effective tax rate of 26.9% for the same period in 2015. The decrease in the effective tax rate for the year ended December 31, 2016 was primarily a result of the US operations utilizing and recognizing previously unrecognized deferred tax assets during 2016.

xiii) NET INCOME

Net income for the three months ended December 31, 2016 was $7.6 million compared to net income of $0.5 million for the same period in 2015. The factors impacting this are set out in the description of individual line items above.

Net income for the year ended December 31, 2016 was $3.5 million compared to $9.5 million for the same period in 2015. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months ended December 31, 2016 has decreased by $0.8 million compared to the same period in 2015 (see table for adjusted EBITDA[1] from continuing operations for the previous eight quarters in this MD&A). Adjusted EBITDA[1] for the year ended December 31, 2016 has increased by $4.9 million as a result of stronger operating performance from all geographical segments.

Following is a summary of finance costs for the year ended December 31, 2016 and December 31, 2015:

	YEAR ENDED DECEMBER 31,	
(in thousands of Canadian dollars)	**2016**	**2015**
Interest on credit facilities	3,057	5,458
Interest on convertible debentures	5,872	7,781
Interest on consent fee notes payable	255	248
Non-cash accretion of convertible debentures	15,403	6,283
Non-cash accretion of consent fee notes payable	479	436
Other	487	1,586
INTEREST EXPENSE, NET	**25,553**	**21,792**
Financing costs	-	334
Amortization of deferred financing costs	1,041	245
Other	601	329
OTHER FINANCE COSTS	**1,642**	**908**
FINANCE COSTS	**27,195**	**22,700**

[1] *See “Definition of Non-IFRS Measures”.*

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months and year ended December 31, 2016:

(unaudited) *(in thousands of Canadian dollars)*	**THREE MONTHS ENDED DECEMBER 31,**			**FOREIGN EXCHANGE**	**OPERATING**
	2016	**2015**	**CHANGE**	**IMPACT**	**CHANGE**
Revenue	86,841	84,913	1,928	318	1,610
Total expenses, net of foreign exchange gain	78,455	77,785	670	320	350

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31,**			**FOREIGN EXCHANGE**	**OPERATING**
	2016	**2015**	**CHANGE**	**IMPACT**	**CHANGE**
Revenue	354,140	327,092	27,048	2,243	24,805
Total expenses, net of foreign exchange loss	318,440	296,796	21,644	1,870	19,774

SELECTED ANNUAL INFORMATION

The selected information presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(in thousands of Canadian dollars, except per share	YEAR ENDED DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2014
Revenue	$ 354,140	$ 327,092	$ 298,274
Net income from continuing operations	$ 3,494	$ 11,336	$ 5,919
Net loss from discontinued operations	$ -	$ (1,873)	$ (9,079)
NET INCOME (LOSS)	$ 3,494	$ 9,463	$ (3,160)
Basic and diluted earnings per share	$ 0.11	$ 0.41	$ (0.14)
Basic and diluted earnings per share from continuing operations	$ 0.11	$ 0.49	$ 0.26
Basic and diluted earnings per share from discontinued operations	$ -	$ (0.08)	$ (0.40)

(in thousands of Canadian dollars)	DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2014
TOTAL ASSETS	$ 261,810	$ 255,240	$ 252,063
Onerous lease provisions	$ 2,270	$ 3,244	$ 4,051
Consent fee notes payable	$ -	$ -	$ 2,631
Finance lease obligation	$ 67	$ 104	$ 235
Credit facilities	$ 73,184	$ 72,277	$ 63,423
Convertible debentures	$ 43,876	$ 84,720	$ 98,437
Other financial liabilities	$ 9,089	$ -	$ -
Deferred tax liabilities	$ 4,176	$ 6,660	$ 8,690
TOTAL LONG-TERM LIABILITIES	$ 132,662	$ 167,005	$ 177,467

NET INCOME FROM CONTINUING OPERATIONS

In 2014, the Company's net income from continuing operations was impacted by the write-off of accounts receivable and WIP.

xiv) ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) from continuing operations in each of the following quarters.

[1] *See "Definition of Non-IFRS Measures".*

ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(unaudited) *(in thousands of Canadian except for per share amounts)*	**DECEMBER 2016**	**SEPTEMBER 2016**	**JUNE 30, 2016**	**MARCH 31, 2016**	**DECEMBER 2015**	**SEPTEMBER 2015**	**JUNE 30, 2015**	**MARCH 31, 2015**
Revenue	86,841	88,211	90,443	88,645	84,913	83,819	80,879	77,481
Net Income (Loss)	7,594	(4,728)	4,465	(3,837)	528	4,815	1,594	2,526
Net Income (Loss) from continuing operations	7,594	(4,728)	4,465	(3,837)	990	6,226	1,594	2,526
Add:								
Interest expense, net	3,064	14,384	4,054	4,051	5,651	5,286	5,741	5,114
Current and deferred tax expense (recovery)	(1,580)	(873)	234	(274)	1,762	695	966	751
Amortization and Depreciation	1,461	1,345	1,242	1,277	1,399	1,247	1,168	994
	2,945	14,856	5,530	5,054	8,812	7,228	7,875	6,859
EBITDA	**10,539**	**10,128**	**9,995**	**1,217**	**9,802**	**13,454**	**9,469**	**9,385**
EBITDA as a percentage of revenue	**12.1%**	**11.5%**	**11.1%**	**1.4%**	**11.5%**	**16.1%**	**11.7%**	**12.1%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	(1,215)	(392)	1,723	7,247	(1,812)	(3,908)	303	(3,282)
Decrease in fair value of other financial liabilities	(1,819)	-	-	-	-	-	-	-
Change in fair value of DSP	(85)	365	349	620	63	(82)	231	(100)
Stock based compensation expenses	133	132	109	79	-	-	-	-
Deferred financing charges	261	262	259	259	298	2	87	192
Onerous lease provision	(334)	(275)	(119)	(223)	(222)	(236)	(196)	154
Share of loss of equity accounted investee, net of tax	-	-	-	32	150	226	212	197
	(3,059)	92	2,321	8,014	(1,523)	(3,998)	637	(2,839)
Adjusted EBITDA[1]	**7,480**	**10,220**	**12,316**	**9,231**	**8,279**	**9,456**	**10,106**	**6,546**
Adjusted EBITDA[1] as a percentage of revenue	**8.6%**	**11.6%**	**13.6%**	**10.4%**	**9.7%**	**11.3%**	**12.5%**	**8.4%**
Earnings per share attributed to common shareholders	0.24	(0.15)	0.14	(0.12)	0.02	0.21	0.07	0.11
Earnings per share attributed to common shareholders from continuing operations	**0.24**	**(0.15)**	**0.14**	**(0.12)**	**0.04**	**0.27**	**0.07**	**0.11**
Weighted average share outstanding	26,020,418	24,966,744	24,966,744	24,966,744	17,985,213	17,808,484	17,808,484	17,808,484

1 See "Definition of Non-IFRS Measures".

[1] *See "Definition of Non-IFRS Measures".*

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacations during the summer. Revenue was positively impacted in the third and fourth quarters of 2016 as a result of continuing work on significant transit projects.

In addition, revenue is impacted by foreign exchange rates.

ii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income (loss) from continuing operations was negatively impacted in the first and second quarters of 2016 as a result of a foreign exchange loss of $7.2 million and $1.7 million, respectively. Net income from continuing operations was positively impacted in the first and fourth quarters of 2015 as a result of foreign exchange gains of $3.2 million and $1.8 million, respectively.

The net loss in the third quarter of 2016 was negatively impacted by the accelerated accretion of $10.3 million resulting from the redemption of 6% and 7% debentures. Net income from continuing operations was positively impacted in the third quarter of 2015 as a result of foreign exchange gain of $3.9 million.

Net income (loss) from continuing operations was positively impacted in the fourth quarter of 2016 by $1.2 million resulting from a foreign exchange gain and $1.8 million resulting from a gain on the fair value of other financial liabilities.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	**DECEMBER 31, 2016**	**DECEMBER 31, 2015**	**CHANGE**
Current assets	**$ 217,002**	$ 217,220	$ (218)
Current liabilities	**(108,942)**	(103,116)	(5,826)
WORKING CAPITAL	**108,060**	114,104	(6,044)

Current assets decreased by $0.2 million as at December 31, 2016 when compared with December 31, 2015. This was due to a decrease of $3.2 million of the current portion of restricted cash in 2016, a $3.2 million decrease in accounts receivable, a $1.2 million decrease in income taxes recoverable, offset by a $6.4 million increase in work in process, a $1.0 million increase in prepaid expenses and other current assets, and a nominal increase in cash. The current portion of restricted cash as at December 31, 2015 was related to the amount the Company has pledged as security for letters of credit issued by a foreign financial institution on behalf of a foreign subsidiary of the Company. These letters of credit are no longer expected to be released within the next twelve months (as the project has been extended) and have therefore been classified as long term as at December 31, 2016. Consistent with the continued increase in revenue, on a combined basis accounts receivable and WIP has increased by $3.2 million offset by an increase in deferred revenue. The increase in prepaid expenses and other current assets is primarily due to renewal of corporate insurance.

There was a decrease in current assets due to foreign exchange as at December 31, 2016 of $6.8 million.

Current liabilities increased by $5.8 million as at December 31, 2016 when compared with December 31, 2015. This was due to a nominal decrease in accounts payable and accrued liabilities, a $4.2 million decrease in vendor notes payable, a decrease in the current portion of finance lease obligation of $0.1 million, a decrease in the consent fee notes payable of $3.1 million, offset by an increase in deferred revenue of $11.8 million, an increase in income taxes payable of $0.1 million and a nominal increase in onerous lease provisions. The increase in deferred revenue of $11.8 million is a result of accelerated billings. The decrease in vendor notes payable of $4.2 million is due to repayment of the vendor notes during the second quarter of 2016. The decrease in consent fee notes payable of $3.1 million is due to repayment of the consent fee upon maturity in the fourth quarter of 2016.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2016 of $2.9 million.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS[1]

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings, which is estimated to be approximately 27% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1]	***DECEMBER 31, 2016*** *(unaudited)*	***SEPTEMBER 30, 2016*** *(unaudited)*	***JUNE 30, 2016*** *(unaudited)*	***MARCH 31, 2016*** *(unaudited)*	***DECEMBER 31, 2015**** *(unaudited)*
Accounts receivable	*60*	*57*	*55*	*58*	*62*
WIP	*49*	*50*	*49*	*48*	*45*
Deferred revenue	*(29)*	*(25)*	*(21)*	*(24)*	*(22)*
	80	*82*	*83*	*82*	*85*

**These figures have been adjusted to exclude results from discontinued operations.*

The days sales outstanding as at December 31, 2016 has decreased by 5 days compared to December 31, 2015. The Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2016***	***SEPTEMBER 30, 2016*** *(unaudited)*	***JUNE 30, 2016*** *(unaudited)*	***MARCH 31, 2016*** *(unaudited)*	***DECEMBER 31, 2015****
Accounts receivable	*108.6*	*106.0*	*102.5*	*104.2*	*111.8*
WIP	*87.0*	*93.5*	*90.4*	*86.5*	*80.6*
Deferred revenue	*(50.5)*	*(46.3)*	*(39.3)*	*(42.1)*	*(38.7)*
	145.1	*153.2*	*153.6*	*148.6*	*153.7*

**These figures have been adjusted to exclude results from discontinued operations.*

[1] *See "Definition of Non-IFRS Measures".*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance)	***DECEMBER 31, 2016***	***%***	***SEPTEMBER 30, 2016***	***%***	***JUNE 30, 2016***	***%***	***MARCH 31, 2016***	***%***	***DECEMBER 31, 2015***	***%***
			(unaudited)		*(unaudited)*		*(unaudited)*			
(in thousands of Canadian dollars)										
Current	46,057	42	43,196	41	38,580	38	40,145	38	44,283	40
30 to 90 days	29,315	27	32,340	30	34,350	33	30,847	30	30,614	27
Over 90 days	33,221	31	30,470	29	29,524	29	33,228	32	36,874	33
TOTAL	108,593	100	106,006	100	102,454	100	104,220	100	111,771	100

Accounts receivable has decreased by $3.1 million since December 31, 2015. There was a decrease in accounts receivable due to foreign exchange during the year ended December 31, 2016 of $3.5 million compared to an increase due to foreign exchange of $10.3 million for the same period in 2015. As a result of continued progress on implementing the Enterprise Resource Planning (“ERP”) system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and twelve month periods maintained stability to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Work In Process

WIP has increased by $6.4 million since December 31, 2015. There was a decrease in WIP due to foreign exchange during the year ended December 31, 2016 of $2.7 million compared to an increase due to foreign exchange of $5.7 million for the same period in 2015. As a result of continued progress on implementing the ERP system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and twelve month periods maintained stability to minimize the risk to the working capital of the firm. The Company monitors WIP to ensure that any accounts where billing may be an issue are being dealt with in a timely manner.

iii) Deferred Revenue

Deferred revenue has increased by $11.8 million since December 31, 2015. There was a decrease in deferred revenue due to foreign exchange during the year ended December 31, 2016 of $0.7 million compared to an increase due to foreign exchange of $1.8 million for the same period in 2015. This increase is a result of the Company’s continued efforts to improve the timeliness of billings as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

CASH FLOWS

Cash flows from operating, financing, and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following tables:

(in thousands of Canadian dollars) (unaudited)	THREE MONTHS ENDED DECEMBER 31, 2016	2015	CHANGE
Cash flows provided by operating activities	***$ 17,247***	*$ 14,248*	*$ 2,999*
Cash flows used in financing activities	***(24,329)***	*(4,086)*	*(20,243)*
Cash flows (used in) provided by investing activities	***7,420***	*(4,516)*	*11,936*

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2016	2015	CHANGE
Cash flows provided by operating activities	***$ 30,850***	*$ 30,826*	*$ 24*
Cash flows used in financing activities	***(23,126)***	*(22,118)*	*(1,008)*
Cash flows used in investing activities	***(6,970)***	*(12,120)*	*5,150*

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended December 31, 2016 were $17.2 million increased by $3.0 million compared to cash flows provided by operating activities of $14.2 million for the same period last year. The increase in operating cash flows is primarily the result of an increase in Adjusted EBITDA[1] of $0.8 million, a reduction in interest paid of $2.5 million, an increase in non-cash operating working capital of $4.4 million and an increase in income taxes paid of $0.6 million.

Cash flows from operating activities for the year ended December 31, 2016 were $30.8 million compared to $30.8 million for the same period last year. The nominal change in cash flows is primarily the result of a decrease in non-cash operating working capital of $11.0 million, a nominal decrease in income taxes paid, offset by a decrease in interest paid of $6.2 million and an increase in Adjusted EBITDA[1] of $4.9 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2016 were $24.3 million compared with $4.1 million for the same period last year. During the three months ended December 31, 2016, the Company took advances of $36.7 million from its credit facilities offset by $57.5 million from redemption of convertible debentures and $3.5 million from settling the consent fee payable. During the same period in 2015, the Company took advances of $15.0 million from its credit facilities, and redeemed its convertible debentures for $20.0 million and received cash issuance of shares under the rights offering for $5.6 million.

Cash flows used in financing activities for the year ended December 31, 2016 were $23.1 million compared to $22.1 million for the same period last year. During the year ended December 31, 2016 the Company repaid advances of $1.3 million on its credit facilities, repaid vendor notes of $4.1 million and consent fee of $3.5 million, and used $14.1 million in cash related to activities on convertible debentures during the year. In comparison to 2015, the Company repaid $1.6 million of vendor notes, repaid $2.6 million towards its credit facilities, redeemed its convertible debentures for $20.0 million and received cash issuance of

[1] *See “Definition of Non-IFRS Measures”.*

shares under the rights offering for $5.6 million. In addition, deferred financing costs of $2.8 million incurred on the refinancing of the credit facilities was classified as a financing activity

INVESTING ACTIVITIES

Cash flows provided by investing activities for the three months ended December 31, 2016 were $7.2 million compared to $4.5 million used by investing activities for the same period last year. During the three months ended December 31, 2016, $2.6 million was used for capital expenditures related to property and equipment, $0.4 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and advances of $10.4 million was drawn from the restricted cash sinking fund and was used to redeem the convertible debentures. During the same period in December 31, 2015, $1.8 million was used for capital expenditures related to property and equipment, $0.8 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system, and $2.0 million was used to fund restricted cash.

Cash flows used in investing activities for the year ended December 31, 2016 were $7.0 million compared to $12.1 million for the same period last year. During the year ended December 31, 2016, $5.5 million was used for capital expenditures related to property and equipment, $2.1 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and advances of $0.6 million was drawn from restricted cash sinking fund. During the same period in December 31, 2015, $5.6 million was used for capital expenditures related to property and equipment, $1.7 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system, and $4.9 million was used to fund restricted cash.

CREDIT FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The new arrangement consists of a $90.0 million revolver facility, of which a maximum of $10.0 million is available under a swing line facility and will mature on June 30, 2018. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at December 31, 2016 the interest rate on Canadian dollar borrowings was 5.58% (December 31, 2015 – 4.95%) and 6.25% on US dollar borrowings (December 31, 2015 – 6.0%).

The additional deposits in the Sinking Fund are pledged to repay the credit facilities or convertible debentures, and as security in the event of default. During the three months ended December 31, 2016, the Company withdrew $13.7 million from the Sinking Fund to redeem its convertible debentures and made the required deposits to the Sinking Fund of $3.25 million in the same quarter. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin. Transactions to the Sinking Fund have been recognized inclusive of interest earned as an investing activity in the consolidated statement of cash flows. On November 8, 2016, the Company's quarterly Sinking Fund contribution was modified to $2,240 per quarter beginning on March 2017.

As at December 31, 2016, IBI Group has borrowings of $74.7 million under the credit facilities, which has been recognized in the consolidated statement of financial position net of deferred financing costs of $1.5 million. IBI Group has letters of credit outstanding of $8.0 million as at December 31, 2016, of which $5.8 million is issued under a $7.5 million facility which matures on July 31, 2017 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2016, $32.1 million was outstanding under Bankers' Acceptance with the remainder borrowed as Prime Rate debt.

As at December 31, 2015, IBI Group had borrowings of $74.9 million under the credit facilities which had been recognized in the consolidated statement of financial position net of deferred financing costs of $2.6 million. IBI Group had issued letters of credit of $5.3 million as at December 31, 2015, of which $3.1 million is issued under the $5.0 million facility which matured on July 31, 2016 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. As at December 31, 2015, $30.0 million was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt.

The facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the new agreement include a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2016.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and the continued improvement of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

SECURITY INTEREST OF SENIOR LENDERS

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

NOTES PAYABLE

The movement in the vendor notes payable for the year ended December 31, 2016 is as follows:

(in thousands of Canadian dollars)		
Balance, January 1, 2015	$	5,013
Repayment		(1,609)
Foreign exchange		834
Balance, December 31, 2015	$	4,238
Repayment		(4,076)
Foreign exchange		(162)
BALANCE, DECEMBER 31, 2016	$	-

The Company had notes payable due to the former owners of acquired businesses of $2.8 million which was due on September 30, 2014 and the remaining balance was due on December 11, 2014. In January

[1] *See "Definition of Non-IFRS Measures".*

2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable were US $0.1 million until May 31, 2016 with a balloon payment of US $2.6 million due June 30, 2016.

The movement in the consent fee notes payable for the year ended December 31, 2016 is as follows:

		TOTAL
Balance, December 31, 2015	$	3,067
Accretion		1,097
Repayment	$	(4,164)
BALANCE, DECEMBER 31, 2016	$	-

See Note 6 - Financial Instruments of the audited consolidated financial statements for further details regarding the issuance of consent fee notes related to the amendment of the 7.0% debentures during 2014.

CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at December 31, 2016 and 2015.

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.75% Debentures (redeemed)				
Balance January 1, 2015	18,838	896	-	19,734
Accretion of 5.75% Debentures 2015	1,162	-	-	1,162
Redemption of 5.75% Debentures (December 2015)	(20,000)	(896)	-	(20,896)
Balance at December 31, 2015	-	-	-	-
6.0% Debentures (redeemed)				
Balance at January 1, 2015	54,266	3,206	-	57,472
Accretion of 6.0% Debentures 2015	836	-	-	836
Balance at December 31, 2015	55,102	3,206	-	58,308
Accretion of 6.0% Debentures 2016	2,398	-	-	2,398
Redemption of 6.0% Debentures (October 2016)	(43,810)	(2,443)	-	(46,253)
Redemption of 6.0% Debentures (December 2016)	(13,690)	(763)	-	(14,453)
Balance at December 31, 2016	-	-	-	-
7.0% Debentures (matures on June 30, 2019)				
Balance at January 1, 2015	25,333	1,750	-	27,083
Accretion of 7.0% Debentures 2015	4,285	-	-	4,285
Balance at December 31, 2015	29,618	1,750	-	31,368
Accretion of 7.0% Debentures 2016	12,486	-	-	12,486
Conversion of 7.0% Debentures (October 2016)	(31,245)	(1,189)	-	(32,434)
Balance at December 31, 2016	10,859	561	-	11,420
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2016	-	-	-	-
Issuance of 5.5% Debentures (September 2016)	32,498	-	10,908	43,406
Accretion of 5.5% Debentures 2016	519	-	-	519
Decrease in fair value of other financial liabilities (December 2016)	-	-	(1,819)	(1,819)
Balance at December 31, 2016	33,017	-	9,089	42,106
BALANCE, DECEMBER 31, 2016	$ 43,876	$ 561	$ 9,089	$ 53,526

5.5% DEBENTURES ($46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of $46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the

conversion price of $8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at $32.5 million which was net of deferred financing costs of $2.6 million. The fair value of the 5.5% non-derivative debt component was $35.1 million and was estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of $10.9 million at the date of issuance, and recorded as part of Other Financial Liabilities in the statement of financial position. As at December 31, 2016, the fair value of the derivative component was $9.1 million.

On September 30, 2016, the net proceeds of $43.4 million from the issuance of the 5.5% Debentures were used to repay the Company's credit facilities.

6.0% DEBENTURES ($57.5 MILLION PRINCIPAL, REDEEMED ON OCTOBER 24, 2016 AND DECEMBER 30, 2016)

On October 24, 2016, the Company financed the partial redemption of its 6.0% Debentures for $43.8 million cash from the credit facilities, plus paid accrued and unpaid interest up to but excluding the redemption date. On December 30, 2016, the Company redeemed the remaining portion of the 6.0% Debentures for $13.7 million cash, plus paid accrued and unpaid interest up to but excluding the redemption date. The 6.0% Debentures were accreted to principal upon each redemption date, resulting in $2.4 million of accretion expense being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. The equity component of $3.2 million was reclassified to contributed surplus upon redemption.

7.0% DEBENTURES ($46.0 MILLION PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED ON OCTOBER 31, 2016)

On July 23, 2014, the Company entered into a supplemental trust indenture with CIBC Mellon Trust Company, the trustee for the 7.0% convertible unsecured subordinated debentures ("Debentures") which were originally scheduled to mature on December 31, 2014, to give effect to the amendments approved at a special meeting of the Debenture holders to extend the maturity of the Debentures to June 30, 2019. In exchange for the extension of the maturity, Debenture holders that delivered and did not withdraw a valid proxy voting for the extension received either; a reduced conversion price to $5.00 per share from $19.17 per share with a consent fee note equal to $86.96 per $1,000 principal amount of Debentures ("Option B") or the Debenture holders retained the conversion price of $19.17 per share and received a consent fee note equal to $195.65 per $1,000 principal amount of Debentures ("Option A"). The conversion price was also reduced to $5.00 per share from $19.17 per share for Debenture holders who did not deposit a proxy, abstained from voting or voted against the Debenture amendments ("Option C"). The Debentures bear interest from the date of issue at 7.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The consent fee notes are unsecured, non-convertible, mature on December 31, 2016 and bear interest at the rate of 7.0% per annum which is payable on maturity.

The amendments to the Debentures resulted in them being accounted for as extinguishments for accounting purposes. Consequently, the original Debentures were derecognized and the new Debentures (under Option A, B and C) were recognized at fair value.

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C ("IBG.DB"). The holders of $29.9 million principal of the 7.0% Debentures had exercised the $5 share conversion option and received 5,997,600 shares. For the balance of $1.2 million principal of the 7.0% Debentures, the Company issued 222,476 shares. The financial liability being redeemed under Options B and C were accreted to the full principal value, resulting in total accretion expense of $12.5 million being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. See Description of Variances in Operating Results Part xiii for further detail regarding the accretion expense for the period. The Company recorded $31,245 in common shares and reclassified the equity component of the portion redeemed of $1.2 million to contributed surplus.

The fair value of the remaining 7.0% Debentures under Option A is $15.0 million (December 31, 2015 - $10.6 million). The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's audited consolidated statement of financial position, comprehensive income (loss) and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

INTEREST RATE RISK

The Company's credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar or US dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company's variable rate loan balance as at December 31, 2016, had been 50 basis points higher or lower, with all other variables held constant, net income from continuing operations for the year ended December 31, 2016 would have decreased or increased by approximately $0.3 million.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower during the year ended and as at December 31, 2016, with all other variables held constant, total comprehensive income would have increased or decreased by $0.3 million for the year ended December 31, 2016. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2016, with all other variables held constant, net income would have increased or decreased by $0.1 million for the year ended December 31, 2016.

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

On October 5, 2015, IBI Group signed an amendment to refinance its credit facilities with its senior lenders.

See liquidity and capital resources section of this MD&A for more details.

As at December 31, 2016, a foreign subsidiary of the Company had issued letters of credit in the amount of US $2.3 million. The Company has pledged US $2.3 million (December 31, 2015 – US $2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the contractual obligations due on financial liabilities and commitments as of December 31, 2016:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 55.5	$ 55.5	$ -	$ -	$ -
Credit facilities[1]	73.2	-	74.7	-	-
Interest on credit facilities[1,2]	-	3.9	1.9	-	-
Convertible debentures	43.9	-	14.8	46.0	-
Interest on convertible debentures[3]	-	3.6	6.6	5.1	-
Finance lease obligation	0.1	-	0.1	-	-
Operating leases	144.3	26.0	36.8	28.5	53.0
TOTAL CONTRACTUAL OBLIGATIONS	$ 317.0	$ 89.0	$ 134.9	$ 79.6	$ 53.0

[1] See liquidity risk section of this MD&A.

[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

FUTURE CASH GENERATION

Specific items of consideration in future cash generation are as follows:

1. ABILITY TO GENERATE SUFFICIENT CASH

The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

2. CIRCUMSTANCES THAT COULD AFFECT FUNDING

In the event that capital markets deteriorate or the Company does not execute on its business plan this will affect ability to attract and / or generate sufficient funds.

3. WORKING CAPITAL REQUIREMENTS

In the short term the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to assist management with their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. SITUATIONS INVOLVING EXTENDED PAYMENT

There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS

Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS

With the exception of 2014, where new leases were signed on two major offices, the Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. CREDIT FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. CONVERTIBLE DEBENTURES

As outlined above, the Company has two series of debentures that provide a basis of capital which requires repayment or refinancing over the period from June 2018 to December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 8, 2017, the Company's common share capital consisted of 31,188,486 shares issued and outstanding.

Each share entitles the holder to one vote at all meetings of shareholders.

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 2016, the units issued on such exchange would have represented a 16.8% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in the consolidated financial statements as at December 31, 2016.

SHARE ISSUANCES

- During the year ended December 31, 2016, the Company issued 6,220,076 common shares upon redemption of 7.0% Debentures Options B and C valued at $31.2 million.

ACCUMULATED OTHER COMPREHENSIVE LOSS

- During the three months ended December 31, 2016, the Company incurred a loss of $1.1 million related to the translation of financial statements of foreign operations, of which 83.2% is attributable to common shareholders.
- During the year ended December 31, 2016, the Company incurred a loss of $0.2 million related to the translation of financial statements of foreign operations, of which 83.2% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the year ended December 31, 2016 was $23.7 million (2015 - $24.1 million). As at December 31, 2016, the Company advanced $0.3 million to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2015 – $1.0). As at December 31, 2016, there were 87 partners (December 31, 2015 – 91 partners).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at December 31, 2016 and 2015, the amount of distributions payable to the Management Partnership were $nil.

As noted in Note 18 – Share Based Compensation of the audited consolidated financial statements, during the year the Company issued stock options to management under the terms of the Company's stock option plan.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to exercise judgment and make estimates and assumptions that affect the application of accounting policies on reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the consolidated statement of financial position, and the reported amounts of revenue and expenses for the period covered by the consolidated statement of comprehensive income (loss). Actual amounts may differ from these estimates.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and

conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

REVENUE RECOGNITION

The Company also enters into contracts that require multiple deliverables, which can include software and hardware elements. Management applies judgment when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgment is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement, and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

RECOVERABILITY OF ACCOUNTS RECEIVABLE

The Company records accounts receivable net of impairment losses determined based on the age of the outstanding receivables, factors specific to individual clients and its historical collection and loss experience.

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 are as follows:

REVENUE RECOGNITION AND DEFERRED REVENUE

The Company accounts for certain of its revenue in accordance with IAS 11 Construction Contracts, ("IAS 11") which requires estimates to be made for contract costs and revenues and IAS 18 Revenue ("IAS 18"). Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best estimate based on the information available at that point in time. The Company also provides for estimated losses on contracts in-progress in the period in which such losses are determined. Deferred revenue is recorded when billings to the clients exceeds the revenue that has been earned based on effort completed at the date of the consolidated statement of financial position. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

ACCURACY OF WORK IN PROCESS

The Company records its work in process based on the time and materials charged into each project. The work in process for each project is reviewed on a monthly basis to determine whether the amounts recorded are recoverable. Where the review determines that the value of work in process exceeds the amount that can be invoiced, review of project budgets is performed to determine whether an adjustment is required to the percentage of completion to accurately reflect revenue earned to date. The percentage complete is determined by estimating the professional costs to be incurred to complete the project.

ONEROUS LEASE PROVISIONS

The Company recognizes provisions when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Management has recorded a provision related to lease exit liabilities which requires estimation of the expected sublease income and discount rate reflective of the risk specific to the obligation.

DETERMINING PROBABLE FUTURE UTILIZATION OF TAX LOSS CARRYFORWARDS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits, together with future tax-planning strategies.

ACCOUNTING DEVELOPMENTS

a) ACCOUNTING POLICY CHANGES ADOPTED IN 2016

Annual Improvements to IFRS (2012 - 2014) Cycles

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of the amendments did not have a material impact on the consolidated financial statements.

IAS 1 *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to provide guidance on the application of judgment in the preparation of financial statements and disclosures.

The Company adopted these amendments in is consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

In May 2014, IFRS 11 *Joint Arrangements ("IFRS 11")* was amended to require an acquisition of a joint operation that constitutes a business to be accounted for using the principles of business combinations in IFRS 3 *Business Combination*s. This amendment applies to both initial and additional interest acquired in the joint operation.

The Company adopted the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

b) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED

Amendments to IAS 7 *Statement of Cash Flows*

In January 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

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.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 12 *Income Taxes*

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

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 Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11, IAS 18, 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*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual 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.

In April 2016, the IASB issued Clarifications to IFRS 15, which is effective at the same time as IFRS 15.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a plan to review contracts in multiple operating segments that may be impacted by the adoption of this standard. The Company is in the initial phase of the project plan as it has identified a sample of significant contracts within each operating segment for initial review in accordance with the IFRS 15. The extent of the impact of adoption of the standard has not yet been determined, but management expects the contracts for software license agreements that are accounted for as multiple-element arrangements will have the most complexity. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted.

IFRS 16 will replace IAS 17 *Leases.* The new standard requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its consolidated 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.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In June 2016, the IASB issued Amendments to IFRS 2 *Share-Based Payments* ("IFRS 2"), 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 or retrospectively, with early application permitted if information is available without the use of hindsight.

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 Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the standard 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 (“IFRIC 22”).* 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 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) will be making certifications related to the information contained in the Company’s quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”).

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company’s management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company’s financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR and disclosure controls and DC&P as at December 31, 2016, and have concluded that such controls and procedures are effective. There have been no changes in the Company’s internal control over financial reporting that occurred during the period beginning on January 1, 2016, and ended on December 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. ADJUSTED EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company’s ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company’s performance or to cash flows from operating activities as a measure of liquidity and cash flows.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on net income adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments
- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses)
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary
- Gain/loss on fair valuation of financial instruments
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the heading "Results of Operations".

2. WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 27% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.