



IBI Group 2015 Third-Quarter Financial Statements

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2015

Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three and nine months ended September 30, 2015 and 2014

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position (unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	September 30, 2015	December 31, 2014
Assets			
Current Assets			
Cash	4	\$ 1,839	\$ 10,342
Restricted cash	7	1,575	-
Accounts receivable	4,7	109,693	106,451
Work in process	3	88,699	85,371
Prepaid expenses and other current assets		11,914	9,460
Income taxes recoverable		1,285	806
Total Current Assets		\$ 215,005	\$ 212,430
Restricted cash	7	1,558	-
Other assets		540	1,139
Property and equipment		14,259	12,780
Investment in equity accounted investee	5	181	817
Intangible assets		6,238	5,317
Deferred tax assets		17,611	19,580
Total Assets		\$ 255,392	\$ 252,063
Liabilities and Equity			
Liabilities			
Current Liabilities			
Bank indebtedness	4	\$ 1,272	\$ -
Accounts payable and accrued liabilities	4	51,164	57,449
Deferred revenue	3	38,487	28,002
Vendor notes payable	4,10	4,504	5,013
Income taxes payable		2,365	1,397
Finance lease obligation	4	300	693
Credit facilities	4,7,14	59,271	10,000
Onerous lease provisions		980	687
Due to related parties	4,5	10,000	10,000
Total Current Liabilities		\$ 168,343	\$ 113,241
Onerous lease provisions		3,481	4,051
Consent fee notes payable	4,10	2,953	2,631
Finance lease obligation	4	103	235
Credit facilities	4,7,14	-	63,423
Convertible debentures	4	102,573	98,437
Deferred tax liabilities		7,866	8,690
Total Liabilities		\$ 285,319	\$ 290,708
Equity			
Shareholders' Equity			
Share capital	6	\$ 235,036	\$ 235,036
Contributed surplus	6	2,106	2,106
Deficit		(272,578)	(279,546)
Convertible debentures - equity component	4	5,852	5,852
Accumulated other comprehensive loss		(3,567)	(3,398)
Total Shareholders' Equity		\$ (33,151)	\$ (39,950)
Non-controlling interest	6	3,224	1,305
Total Equity		\$ (29,927)	\$ (38,645)
Total Liabilities and Equity		\$ 255,392	\$ 252,063

See accompanying notes to the interim condensed consolidated financial statements

IBI GROUP INC.

Interim Condensed Consolidated Statement of Comprehensive Income (unaudited)

		Three months ended		Nine months ended	
		September 30,	September 30,	September 30,	September 30,
(thousands of Canadian dollars, except per share amounts)	Notes	2015	2014	2015	2014
Revenue		\$ 83,819	\$ 73,605	\$ 242,179	\$ 223,244
Salaries, fees and employee benefits		59,029	53,088	170,726	158,280
Rent		5,892	10,544	17,609	21,688
Other operating expenses		8,880	9,829	26,816	28,848
Foreign exchange (gain)	7	(3,908)	(605)	(6,887)	(1,306)
Amortization of intangible assets		200	172	579	630
Amortization of property and equipment		1,046	620	2,830	1,642
Impairment of property and equipment		-	3,248	-	3,248
Impairment of financial assets	7	177	757	453	1,930
		71,316	77,653	212,126	214,960
Operating Income (Loss)		\$ 12,503	\$ (4,048)	\$ 30,053	\$ 8,284
Interest expense, net	4,9	5,286	4,971	16,141	13,496
Other finance costs (income)	9	70	(18,363)	519	(17,684)
Finance Costs (Income)		\$ 5,356	\$ (13,392)	\$ 16,660	\$ (4,188)
Share of loss of equity-accounted investee, net of tax	5	226	-	635	-
Net income before taxes from continuing operations		\$ 6,921	\$ 9,344	\$ 12,758	\$ 12,472
Current tax expense	13	253	271	1,322	1,883
Deferred tax expense	13	442	2,077	1,091	545
Income Taxes		\$ 695	\$ 2,348	\$ 2,413	\$ 2,428
Net income from continuing operations		\$ 6,226	\$ 6,996	\$ 10,345	\$ 10,044
Net loss from discontinued operations	12	(1,411)	(5,308)	(1,411)	(6,230)
Net Income		\$ 4,815	\$ 1,688	\$ 8,934	\$ 3,814
Other comprehensive 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		\$ (955)	\$ (245)	\$ (216)	\$ (282)
Loss on translating financial statements of foreign operations from discontinued operations, net of tax		-	(110)	-	(141)
Other Comprehensive Income (Loss), net of tax		(955)	(355)	(216)	(423)
Total Comprehensive Income		\$ 3,860	\$ 1,333	\$ 8,718	\$ 3,391
Net income attributable to:					
Common shareholders		\$ 3,755	\$ 1,313	\$ 6,968	\$ 2,965
Non-controlling interests	6	1,060	375	1,966	849
Net Income		\$ 4,815	\$ 1,688	\$ 8,934	\$ 3,814
Total comprehensive income attributable to:					
Common shareholders		\$ 3,010	\$ 1,037	\$ 6,799	\$ 2,636
Non-controlling interests	6	850	296	1,919	755
Total Comprehensive Income		\$ 3,860	\$ 1,333	\$ 8,718	\$ 3,391
Earnings per share attributable to common shareholders					
Basic and diluted earnings per share	6	\$ 0.21	\$ 0.07	\$ 0.39	\$ 0.17
Basic and diluted earnings per share from continuing operations	6	\$ 0.27	\$ 0.31	\$ 0.45	\$ 0.44
Basic and diluted earnings per share from discontinued operations	6	\$ (0.06)	\$ (0.24)	\$ (0.06)	\$ (0.27)

See accompanying notes to the interim condensed consolidated financial statements

IBI GROUP INC.

Interim Condensed Consolidated Statement of Cash Flows (unaudited)

		Three months ended		Nine months ended	
		September 30,	September 30,	September 30,	September 30,
(thousands of Canadian dollars)	Notes	2015	2014	2015	2014
Cash Flows provided by Operating Activities					
Net income		\$ 4,815	\$ 1,688	\$ 8,934	\$ 3,814
Items not affecting cash:					
Gain on extinguishment of 7% convertible debentures		-	(22,028)	-	(22,028)
Loss on issuance of consent fee notes		-	2,438	-	2,438
Onerous lease provision		(236)	5,129	(278)	5,129
Amortization of property and equipment		1,046	919	2,830	2,332
Impairment of property and equipment		-	3,248	-	3,248
Impairment of assets held for sale		-	4,651	-	4,651
Amortization of intangible assets		200	172	579	630
Amortization of deferred financing costs		-	258	-	730
Share of loss of equity-accounted investee, net of tax		226	-	635	-
Foreign exchange (gain)		(3,908)	(605)	(6,887)	(1,306)
Interest expense, net	9	5,286	5,109	16,141	13,821
Deferred income taxes		442	2,077	1,091	545
Interest paid		(1,971)	(3,815)	(9,480)	(11,381)
Income taxes received (paid)		75	320	(1,149)	(55)
Change in non-cash operating working capital	8	5,651	6,515	4,164	12,123
Net Cash provided by Operating Activities		\$ 11,626	\$ 6,076	\$ 16,580	\$ 14,691
Cash Flows used in Financing Activities					
Bank indebtedness	4	\$ 1,272	\$ -	\$ 1,272	\$ -
Payments on principal of notes payable		(230)	-	(1,206)	-
Payments on principal of credit facilities		(13,960)	(4,262)	(17,573)	(4,415)
Payments on principal of finance lease obligation		(172)	-	(525)	-
Net Cash used in Financing Activities		\$ (13,090)	\$ (4,262)	\$ (18,032)	\$ (4,415)
Cash Flows used in Investing Activities					
Purchase of property and equipment		\$ (999)	\$ (1,903)	\$ (3,852)	\$ (9,468)
Purchase of intangible assets		(503)	-	(905)	-
Restricted cash	7	-	-	(2,847)	-
Net Cash used in Investing Activities		\$ (1,502)	\$ (1,903)	\$ (7,604)	\$ (9,468)
Effect of foreign exchange rate fluctuations on cash held	7	\$ 319	\$ 280	\$ 553	\$ 444
Net increase (decrease) in cash		\$ (2,647)	\$ 191	\$ (8,503)	\$ 1,252
Cash, beginning of period		4,486	9,127	10,342	8,066
Cash, end of period		\$ 1,839	\$ 9,318	\$ 1,839	\$ 9,318
Net cash is comprised of:					
Cash from continuing operations, end of period		\$ 1,839	\$ 9,089	\$ 1,839	\$ 9,089
Cash from discontinued operations, end of period		-	229	-	229
Cash, end of period		\$ 1,839	\$ 9,318	\$ 1,839	\$ 9,318

See accompanying notes to the interim condensed consolidated financial statements

IBI GROUP INC.

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

		Three months ended		Nine months ended	
		September 30,	September 30,	September 30,	September 30,
(thousands of Canadian dollars)	Notes	2015	2014	2015	2014
Share Capital					
Share capital, beginning of period		\$ 235,036	\$ 234,498	\$ 235,036	\$ 234,358
Shares issued	6	-	404	-	544
Share Capital, End of Period		\$ 235,036	\$ 234,902	\$ 235,036	\$ 234,902
Contributed Surplus					
Contributed surplus, beginning of period	6	\$ 2,106	\$ 277	\$ 2,106	\$ -
Surplus on exchange of shares	6	-	1,829	-	2,106
Contributed surplus, End of Period		\$ 2,106	\$ 2,106	\$ 2,106	\$ 2,106
Deficit					
Deficit, beginning of period		\$ (276,333)	\$ (275,436)	\$ (279,546)	\$ (277,088)
Net income attributable to common shareholders		3,755	1,313	6,968	2,965
Deficit, End of Period		\$ (272,578)	\$ (274,123)	\$ (272,578)	\$ (274,123)
Convertible Debentures - Equity Component					
Convertible debentures, beginning of period		\$ 5,852	\$ 5,852	\$ 5,852	\$ 5,852
Derecognition of 7% convertible debentures		-	(2,774)	-	(2,774)
Recognition of amended 7% convertible debentures		-	2,894	-	2,894
Impact on extinguishment of 7% convertible debentures		-	(120)	-	(120)
Convertible Debentures, End of Period		\$ 5,852	\$ 5,852	\$ 5,852	\$ 5,852
Accumulated Other Comprehensive Loss					
Accumulated other comprehensive loss, beginning of period		\$ (2,821)	\$ (3,167)	\$ (3,398)	\$ (3,114)
Other comprehensive loss attributable to common shareholders		(746)	(276)	(169)	(329)
Accumulated Other Comprehensive Loss, End of Period		\$ (3,567)	\$ (3,443)	\$ (3,567)	\$ (3,443)
Total Shareholders' Equity		\$ (33,151)	\$ (34,706)	\$ (33,151)	\$ (34,706)
Non-controlling Interest					
Non-controlling interest, beginning of period		\$ 2,374	\$ 4,781	\$ 1,305	\$ 4,623
Total comprehensive income attributable to non-controlling interests	6	850	296	1,919	755
Redemption of shares issued	6	-	(2,233)	-	(2,534)
Non-controlling Interest, End of Period		\$ 3,224	\$ 2,844	\$ 3,224	\$ 2,844
Total Equity, End of Period		\$ (29,927)	\$ (31,862)	\$ (29,927)	\$ (31,862)

See accompanying notes to the interim condensed consolidated financial statements

IBI GROUP INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars, except per share and share amounts)

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

IBI Group Inc. (the "Company") is a company incorporated pursuant to the provisions of the Canada Business Corporations Act on September 30, 2010 and is the successor to IBI Income Fund (the "Fund"), an unincorporated, open-ended limited purpose trust established under the laws of Ontario.

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership ("IBI Group"), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at September 30, 2015, the Company's common share capital consisted of 17,808,484 issued and outstanding shares. Each share entitles the holder to one vote at all meetings of shareholders.

IBI Group also issued Class B partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the operations of the Fund prior to its acquisition by the Fund. The Class B partnership units of IBI Group are indirectly exchangeable for shares on the basis of one share of the Company for each Class B subordinated partnership unit. Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders of the Company.

As at September 30, 2015, the Management Partnership holds 5,025,778 Class B partnership units representing 22.0% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 3,860,206 common shares of the Company, representing a total ownership of approximately 38.9% of the Company. The Management Partnership also holds 5,025,778 non-participating voting shares of the Company, which together with the 3,860,206 common shares of the Company held by the Management Partnership and affiliated partnerships, represents approximately 38.9% of the voting shares of the Company.

Through IBI Group, the Company is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in three main areas of development, being intelligence, buildings and infrastructure. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these three main areas of development.

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol "IBG". The Company's registered head office is 55 St. Clair Ave. West, 7th Floor, Toronto, Ontario, M5V 2Y7.

NOTE 2: STATEMENT OF COMPLIANCE

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements ("interim financial statements") of the Company and its subsidiaries have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and using accounting policies derived therein consistent with the Company's audited consolidated financial statements as at and for the year ended December 31, 2014 other than those described in (c) below. Certain

information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes. The interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements were approved by the Board of Directors on November 11, 2015.

b) Use of accounting estimates and judgments

The preparation of these interim 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 interim financial statements, and the reported amounts of revenue and expenses for the period covered by the interim financial statements. Actual amounts may differ from these estimates.

Liquidity

IBI Group's swing facility and credit facility (the "Credit Facilities") is set to mature on March 31, 2016. On March 31, 2015, the Company submitted a recapitalization plan to refinance its banking agreement with its senior lenders. On October 5, 2015, IBI Group signed an amendment to refinance its Credit Facilities under the existing banking arrangement with its senior lenders (refer to Note 14 – Events After The Reporting Date, for further discussion).

The significant judgments made by management in applying the accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2014.

c) Changes in Accounting Policies

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine 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 interim financial statements for the annual period beginning on January 1, 2015. The adoption of the amendments did not have a material impact on the interim financial statements.

d) Future Accounting Policy Changes

Annual Improvements to IFRS (2012 – 2014) cycle

In December 2013, 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.

Except for the proposed amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5"), the proposed changes would be applied retrospectively for annual periods

beginning on or after January 1, 2016; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The proposed amendments to IFRS 5 would be applied prospectively in accordance with IAS 8 for annual periods beginning on or after January 1, 2016; similarly, earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The adoption of the amendments is not expected to have a material impact on the Company's 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. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The adoption of the amendments is not expected to have a material impact on the Company's 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 Combinations*. This amendment applies to both initial and additional interest acquired in the joint operation. The Company intends to adopt the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the Company's financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

In September 2014, IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* were amended to clarify an inconsistency between the two standards relating to the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires that a full gain or loss is recorded if the sold or contributed assets do not constitute a business. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 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 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue. 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. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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 of January 1, 2018. 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.

NOTE 3: SEGMENT INFORMATION

The Company is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. The Company considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments.

(a) Operating segments

Operating segments of the Company are defined as components for which separate financial information is available that is evaluated regularly in allocating resources and assessing performance.

The Company has one operating segment, consulting services. These services are provided throughout Canada, the U.S., and internationally.

(b) Geographic segments

The following table demonstrates certain statement of financial position information line items segmented geographically as at September 30, 2015, with comparatives as at December 31, 2014:

	As at September 30, 2015			
	Canada	U.S.	International	Total
Property and equipment	\$ 10,061	\$ 2,279	\$ 1,919	\$ 14,259
Intangible assets	2,021	3,371	846	6,238
Work in process	61,952	15,072	31,672	108,696
Reserve for work in process	(14,921)	(1,535)	(3,541)	(19,997)
Work in process, net	47,031	13,537	28,131	88,699
Deferred revenue	19,312	13,321	5,854	38,487
Total assets	123,297	62,058	70,037	255,392

	As at December 31, 2014			
	Canada	U.S.	International	Total
Property and equipment	\$ 9,550	\$ 1,974	\$ 1,256	\$ 12,780
Intangible assets	1,115	3,356	846	5,317
Work in process	71,931	16,759	21,178	109,868
Reserve for work in process	(20,145)	(2,687)	(1,665)	(24,497)
Work in process, net	51,786	14,072	19,513	85,371
Deferred revenue	19,652	5,621	2,729	28,002
Total assets	153,285	50,772	48,006	252,063

The following table demonstrates certain information related to continuing operations contained in the statement of comprehensive income segmented geographically for the three and nine months ended September 30, 2015 and 2014. The unallocated amounts pertain to expenses relating to convertible debentures, the credit facilities, taxes, non-cash finance costs, rent for the Corporate office and professional fees related to Corporate matters that have been incurred by the Company.

	Three months ended September 30, 2015					
	Unallocated Corporate costs	Canada	U.S.	International	Total	
Revenues	\$ -	\$ 43,948	\$ 27,578	\$ 12,293	\$ 83,819	
Net income (loss) from continuing operations	\$ (2,018)	\$ 6,351	\$ 2,157	\$ (264)	\$ 6,226	
	Nine months ended September 30, 2015					
	Unallocated Corporate costs	Canada	U.S.	International	Total	
Revenues	\$ -	\$ 132,244	\$ 74,471	\$ 35,464	\$ 242,179	
Net income (loss) from continuing operations	\$ (6,051)	\$ 15,042	\$ 1,342	\$ 12	\$ 10,345	
	Three months ended September 30, 2014					
	Unallocated Corporate costs	Canada	U.S.	International	Total	
Revenues	\$ -	\$ 41,903	\$ 21,318	\$ 10,384	\$ 73,605	
Net income (loss) from continuing operations	\$ (1,955)	\$ 3,413	\$ 861	\$ 4,677	\$ 6,996	
	Nine months ended September 30, 2014					
	Unallocated Corporate costs	Canada	U.S.	International	Total	
Revenues	\$ -	\$ 123,066	\$ 64,870	\$ 35,308	\$ 223,244	
Net income (loss) from continuing operations	\$ (5,865)	\$ 4,063	\$ 2,427	\$ 9,419	\$ 10,044	

NOTE 4: FINANCIAL INSTRUMENTS**(a) Indebtedness**

The Company has a credit facility of \$82,000 comprised of a swing line facility of \$3,500, a revolver facility of \$14,500, an office capital expenditure facility of \$7,000, a letter of credit facility of \$5,000 and a term facility of \$52,000. As of September 30, 2015, the Company had borrowings of \$59,271 under the credit facility compared with borrowings of \$73,423 as of December 31, 2014. As of September 30, 2015, the Company had issued letters of credit of \$4,477 (December 31, 2014 - \$4,855). According to the terms of the agreement, this credit facility is set to mature on March 31, 2016.

The credit facilities contain financial covenants including funded debt to Adjusted EBITDA¹ ratio, fixed-charge coverage ratio, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with its credit facility covenants as at September 30, 2015.

On March 30, 2015, the Company and the senior lenders reached an agreement to amend the letter of credit facility. As a result of the amendment, issuance or renewal of letters of credit with a maturity date after March 31, 2016 will reduce the availability under the revolver and term facilities.

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

On October 5, 2015, IBI Group signed an amendment to refinance its Credit Facilities under the existing banking arrangement with its senior lenders (refer to Note 14 – Events After The Reporting Date, for further discussion).

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; amounts attributable to minority equity investments; and 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.

(b) Convertible debentures

The Company has three series of convertible debentures outstanding as at September 30, 2015. The fair value of the convertible debentures as at September 30, 2015, based on a quoted market price, is as follows:

	Carrying value	Fair value
5.75% Debentures (\$20,000 principal, matures on June 30, 2017)	\$ 19,161	\$ 11,600
6.0% Debentures (\$57,500 principal, matures on June 30, 2018)	54,887	30,469
7.0% Debentures (\$46,000 principal, matures on June 30, 2019)	28,525	26,090
Total	\$ 102,573	\$ 68,159

The movement in convertible debentures for the nine months ended September 30, 2015 is as follows:

	Liability component	Equity component	Total
Balance, January 1, 2015	\$ 98,437	\$ 5,852	\$ 104,289
Accretion of convertible debenture	4,136	-	4,136
Balance, September 30, 2015	\$ 102,573	\$ 5,852	\$ 108,425

(c) Financial assets and liabilities

The fair values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, vendor notes payable, consent fee notes payable and finance lease obligation approximate their carrying amounts due to their short-term maturity.

The carrying amount of the Company's financial instruments as at September 30, 2015 is as follows:

	Financial assets and liabilities at FVTPL	Loans and receivables	Other financial liabilities	Total
Financial assets				
Cash	\$ 1,839	\$ -	\$ -	\$ 1,839
Restricted cash	3,133	-	-	3,133
Accounts receivable	-	109,693	-	109,693
Total	\$ 4,972	\$ 109,693	\$ -	\$ 114,665
Financial liabilities				
Bank indebtedness	\$ 1,272	\$ -	\$ -	\$ 1,272
Accounts payable and accrued liabilities	-	-	50,558	50,558
Deferred share plan liability ¹	606	-	-	606
Due to related parties	-	-	10,000	10,000
Vendor notes payable	-	-	4,504	4,504
Consent fee notes payable	-	-	2,953	2,953
Finance lease obligation	-	-	403	403
Credit facilities	-	-	59,271	59,271
Convertible debentures	-	-	102,573	102,573
Total	\$ 1,878	\$ -	\$ 230,262	\$ 232,140

¹ The deferred share plan liability is grouped with accounts payable and accrued liabilities on the unaudited interim condensed consolidated statement of financial position.

The carrying amount of the Company's financial instruments as at December 31, 2014 is as follows:

	Financial assets and liabilities at FVTPL	Loans and receivables	Other financial liabilities	Total
Financial assets				
Cash	\$ 10,342	\$ -	\$ -	\$ 10,342
Accounts receivable	-	106,451	-	106,451
Total	\$ 10,342	\$ 106,451	\$ -	\$ 116,793
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 57,058	\$ 57,058
Deferred share plan liability ¹	391	-	-	391
Due to related parties	-	-	10,000	10,000
Vendor notes payable	-	-	5,013	5,013
Consent fee notes payable	-	-	2,631	2,631
Finance lease obligation	-	-	928	928
Credit facilities	-	-	73,423	73,423
Convertible debentures	-	-	98,437	98,437
Total	\$ 391	\$ -	\$ 247,490	\$ 247,881

The following tables summarize the Company's fair value hierarchy for those assets and liabilities that are measured at fair value on a recurring basis as at September 30, 2015 and December 31, 2014:

	As at September 30, 2015		
	Level 1	Level 2	Level 3
Cash	\$ 1,839	\$ -	\$ -
Restricted cash	3,133	-	-
Bank indebtedness	(1,272)	-	-
Deferred share plan liability	-	(606)	-
	\$ 3,700	\$ (606)	\$ -

¹ The deferred share plan liability is grouped with accounts payable and accrued liabilities on the unaudited interim condensed consolidated statement of financial position.

	As at December 31, 2014		
	Level 1	Level 2	Level 3
Cash	\$ 10,342	\$ -	\$ -
Deferred share plan liability	-	391	-
	\$ 10,342	\$ 391	\$ -

NOTE 5: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, the Fund, IBI Group, and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the principals of the partners of the Management Partnership. The amount paid for such services during the three months ended September 30, 2015 was \$6,070 (three months ended September 30, 2014 - \$6,648) and \$18,154 for the nine months ended September 30, 2015 (nine months ended September 30, 2014 - \$19,925). As at September 30, 2015, there were 95 partners (September 30, 2014 – 102 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 September 30, 2015 and December 31, 2014, the amount of distributions payable to the Management Partnership were nil.

As at September 30, 2015, IBI Group has a loan payable to the Management Partnership of \$10,000 (December 31, 2014 - \$10,000). The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's credit facilities with its bank lender and is unsecured. Interest expense on this advance was \$176 for the three months ended September 30, 2015 (three months ended September 30, 2014 - \$96) and \$837 for the nine months ended September 30, 2015 (nine months ended September 30, 2014 – \$284). The loan matured April 1, 2015 with no repayment prior to the maturity of the credit facility unless the Company achieves certain financial covenants. On April 1, 2015, the terms of this loan were amended to automatically extend the maturity of the loan on the last day of each month to the last day of the subsequent month, unless either the Company or the Management Partnership provides advance written notice to the other. On November 10, 2015, the Company announced that it will be offering each shareholder of its common shares the right to subscribe for additional common shares of the Company at a pre-determined subscription price. The net proceeds raised from the rights offering will be used to repay indebtedness. IBI Group will concurrently with the rights offering, issue to the Management Partnership rights to subscribe for additional Class B partnership units on terms substantially similar to those of the rights offering. The subscription price will be paid by a promissory note which will be set off against the corresponding amount of indebtedness owing by the Company to the Management Partnership.

As noted in Note 12 – Discontinued Operations, on October 2, 2014, the Company also sold a 30% equity interest in IBI China Holdings Limited ("China") to Services Integres Lemay & Associates Inc.

("Lemay") for approximately \$510, subject to final closing adjustments. In addition, a 19% equity interest in China was sold to Champlain (2014) Inc. ("Champlain") in exchange for a non-interest bearing receivable for \$475. The receivable will be settled based on an earn-out period over the next four years. Champlain is 100% owned by Daniel Arbour, who has led IBI Group's operations in China and is a related party to the Company.

NOTE 6: EQUITY

(a) Shareholders' equity

The Company is authorized to issue an unlimited number of common shares. As at September 30, 2015, the Company's common share capital consisted of 17,808,484 shares issued and outstanding (December 31, 2014 - 17,808,484 shares).

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

The 5,025,778 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 September 30, 2015, the shares issued on such exchange would have represented a 22.0% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders, although the holder also holds an equal number of non-participating voting shares in the Company which give the holder one vote for each such share. The Class B partnership units have been recorded as a non-controlling interest in the interim condensed consolidated financial statements as at September 30, 2015.

Issuances

There were no share issuances during the three and nine months ended September 30, 2015.

Earnings per share from continuing and discontinued operations

For the purposes of calculating diluted earnings per share, any impact of the convertible rights on the convertible debentures are not included in the calculation of net income per common share or weighted average number of common shares outstanding as they would be anti-dilutive.

For the purposes of calculating diluted earnings per share, any impact of the exchange rights of the non-controlling interest are not included in the calculation of net income per common share or weighted average number of common shares outstanding as they would be anti-dilutive.

(b) Non-controlling interest

Non-controlling interests in the Company's subsidiaries are exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the unaudited interim condensed consolidated statement of changes in equity for the three and nine months ended September 30, 2015.

The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income	\$ 4,815	\$ 1,688	\$ 8,934	\$ 3,814
Non-controlling interest share of ownership	22.0%	22.2%	22.0%	22.3%
Net income attributable to non-controlling interest	\$ 1,060	\$ 375	\$ 1,966	\$ 849

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Total comprehensive income	\$ 3,860	\$ 1,333	\$ 8,718	\$ 3,391
Non-controlling interest share of ownership	22.0%	22.2%	22.0%	22.3%
Total comprehensive income attributable to non-controlling interest	\$ 850	\$ 296	\$ 1,919	\$ 755

NOTE 7: 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 financial position, comprehensive income 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.

(a) 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 U.S 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 September 30, 2015, had been 50 basis points higher or lower, with all other variables held constant, net income for the three and nine months ended September 30, 2015 would have decreased or increased by approximately \$54 and \$163 respectively.

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 U.S-dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower at September 30, 2015, with all other variables held constant, total comprehensive income would have increased or decreased by \$57 and \$75 for the three and nine months ended September 30, 2015, respectively. If the exchange rates had been 100 basis points higher or lower at September 30, 2015, with all other variables held constant, net income would have increased or decreased by \$29 and \$11 for the three and nine months ended September 30, 2015, respectively.

(b) 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.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of gross billings in accounts receivable (a non-IFRS measure). At September 30, 2015, there were 65 working days of revenue in accounts receivable, compared to 62 days at December 31, 2014. The maximum exposure to credit risk, at the date of the statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the unaudited interim condensed statement of financial position.

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 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.

The aging of the accounts receivable are detailed below with the entire allowance for impairment losses relating to accounts receivable over 90 days:

	September 30, 2015	December 31, 2014
Current	\$ 36,313	\$ 40,284
30 to 90 days	39,962	32,241
Over 90 days	40,866	49,676
Allowance for impairment losses	(7,448)	(15,750)
Total	\$ 109,693	\$ 106,451

(c) 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 (as described in Note 4 – Bank Indebtedness) and access to capital markets.

On October 5, 2015, IBI Group signed an amendment to refinance its Credit Facilities under the existing banking arrangement with its senior lenders (refer to Note 14 – Events After The Reporting Date, for further discussion).

As at September 30, 2015, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S \$2,300. The Company has pledged U.S \$2,300 (December 31, 2014 - \$nil) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. In accordance with the provisions of the contract, the Company expects U.S \$1,176 to be unrestricted prior to the end of the second quarter of 2016 as the foreign subsidiary achieves certain milestones in relation to a local project.

(d) Capital management

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

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.

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including funded debt to Adjusted EBITDA ratio, fixed charge coverage ratio, and restrictions on distributions. The Company was in compliance with all financial covenants as at September 30, 2015.

NOTE 8: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Accounts receivable	\$ (4,326)	\$ (8,094)	\$ 4,024	\$ (6,206)
Work in process	679	3,804	537	(1,721)
Prepaid expenses and other assets	(729)	96	(2,343)	(3,267)
Accounts payable and accrued liabilities	1,018	4,276	(11,435)	9,100
Deferred revenue	8,608	6,389	12,720	12,242
Net income taxes payable	401	44	661	1,975
Decrease in non-cash operating working capital	\$ 5,651	\$ 6,515	\$ 4,164	\$ 12,123

NOTE 9: FINANCE COSTS

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest on credit facilities	\$ 1,455	\$ 1,603	\$ 4,360	\$ 4,874
Interest on convertible debentures	1,955	1,955	5,865	5,865
Interest on consent fee notes payable	63	-	186	-
Non-cash accretion of convertible debentures	1,404	1,200	4,136	2,350
Non-cash accretion of consent fee notes payable	111	90	323	90
Other	298	123	1,271	317
Interest expense, net	\$ 5,286	\$ 4,971	\$ 16,141	\$ 13,496
Financing costs	\$ 2	\$ -	\$ 281	\$ -
Amortization of deferred financing costs	-	258	-	730
Gain on extinguishment of 7% convertible debentures	-	(18,700)	-	(18,700)
Other	68	79	238	286
Other finance costs (income)	\$ 70	\$ (18,363)	\$ 519	\$ (17,684)
Finance costs (income) for the period	\$ 5,356	\$ (13,392)	\$ 16,660	\$ (4,188)

NOTE 10: NOTES PAYABLE

The movement in the vendor notes payable and adjustments to these obligations are as follows:

Balance, January 1, 2015	\$ 5,013
Repayment	(1,271)
Foreign exchange	762
Balance, September 30, 2015	\$ 4,504

In January 2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable are U.S \$100 until May 31, 2016 and a balloon payment of U.S \$2,598 due June 30, 2016.

The movement in the consent fee notes payable for the nine months ended September 30, 2015 is as follows:

	Total
Balance, January 1, 2015	\$ 2,631
Accretion of consent fee notes payable	322
Balance, September 30, 2015	\$ 2,953

NOTE 11: CONTINGENCIES

(a) Legal matters

In the normal course of business, the Company is a defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these interim financial statements, therefore no provisions have been recorded.

(b) Indemnifications

The Company provides indemnifications and, in very limited circumstances, bonds, which are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits, which provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no provisions have been accrued in the accompanying interim financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

NOTE 12: DISCONTINUED OPERATIONS

On October 2, 2014, an agreement was reached to sell certain net assets and operations of Quebec and the 49% interest in China.

As the sale of Quebec and the 49% equity interest in China met the definition of “discontinued operations” under IFRS 5, the net loss associated with those operations for the three and nine months ended September 30, 2014 have been classified as discontinued operations.

On closing Lemay paid \$9,082 in cash and amounts of \$2,330 and \$1,344 were held in escrow until conditions of the escrow, which included a final calculation of working capital were settled. After the finalization of the closing adjustments and the satisfaction of certain post-closing conditions, the total proceeds received from Lemay were \$8,979 in cash and amounts held in escrow. The final determination of the working capital of the Quebec assets was subject to an arbitration process, the outcome of which was not determined until the third quarter of 2015. During the three months ended September 30, 2015, the arbitration process concluded that the purchase price was to be reduced by \$3,777. The \$2,330 escrow would be returned to Lemay along with the payment of \$1,447 of the Company’s funds which is recorded as a liability at September 30, 2015. The \$1,344 remains in escrow at September 30, 2015 and will be released in instalments over the period to March 31, 2018.

As at September 30, 2014, management evaluated the expected fair value less costs to sell and determined that it was lower than the carrying value, based on the purchase price consideration noted above, net of transaction costs for approximately \$594. As a result, an impairment charge of \$479 was recorded against the assets held for sale in Quebec and a \$4,172 impairment charge was recorded against the assets held for sale in China. The combined impairment charge of \$4,651 was recorded in the loss from discontinued operations in the statement of comprehensive income for the three and nine months ended September 30, 2014. As a result of the finalization of the arbitration process during the third quarter of 2015, an additional \$1,411 has been recorded in the loss from discontinued operations for the three months ended September 30, 2015.

The following table summarizes the net loss and cash flows from discontinued operations for Quebec and China combined:

	Three months ended September 30, 2014	Nine months ended September 30, 2014
Revenue	\$ 7,342	\$ 23,480
Expenses	7,850	24,669
Impairment of assets held for sale	(4,651)	(4,651)
Operating loss	\$ (5,159)	\$ (5,840)
Finance costs	138	322
Current taxes	11	68
Net loss from discontinued operations	\$ (5,308)	\$ (6,230)
Net loss from discontinued operations attributable to:		
Common shareholders	\$ (4,129)	\$ (4,843)
Non-controlling interest	(1,179)	(1,387)
Net cash used in operating activities	\$ (2,430)	\$ (728)
Net cash from financing activities	1,811	4,856
Net cash from (used in) investing activities	341	(4,249)
Effect of foreign currency translation	3	(21)
Net decrease in cash during the period	(275)	(142)
Cash, beginning of period	504	371
Cash, end of period	\$ 229	\$ 229

NOTE 13: INCOME TAXES

Income tax expense for the three months ended September 30, 2015 was \$695 (three months ended September 30, 2014 – \$2,348) and the effective income tax rate was 10.0% (2014 – 25.1%). The decrease in the effective tax rate for the three months ended September 30, 2015 was primarily a result of the recognition of previously unrecognized deductible temporary differences, as well as non-controlling interest's share of income. Income tax expense for the nine months ended September 30, 2015 was \$2,413 (nine months ended September 30, 2014 – \$2,428) and the effective income tax rate was 18.9% (2014 – 19.5%).

NOTE 14: EVENTS AFTER THE REPORTING DATE

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 \$90,000 revolver facility, of which a maximum of \$10,000 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. The existing Credit Facilities were paid off in full upon closing under the terms of the new agreement and \$20,000 was placed in a segregated cash collateral account ("Sinking Fund") upon closing, with additional deposits required each quarter for pre-defined amounts. The Sinking Fund will be pledged to repay the Credit Facilities and convertible debentures, and as security in the event of default. The new facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the new agreement include funded debt to Adjusted EBITDA¹ ratio, interest coverage ratio, minimum EBITDA thresholds, and restrictions on distributions, if certain conditions are not met. Advances under the credit facilities bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate plus, in each case, an applicable margin.

The Board has approved the redemption of the \$20,000 convertible debentures due June 30, 2017, using funds from the recently amended credit agreement. Upon redemption, the related deferred financing costs of \$839 will be recorded as finance costs in the statement of comprehensive income.

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; amounts attributable to minority equity investments; and 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.