IBI Group 2017
Third-Quarter Financial Statements

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017 AND 2016

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(thousands of Canadian dollars)	NOTES		SEPTEMBER 30, 2017		DECEMBER 31, 2016
ASSETS					
Current Assets					
Cash	*4*	**$**	**13,277**	$	8,008
Accounts receivable	*4,7*		**91,707**		108,593
Work in process	*3*		**86,420**		87,052
Prepaid expenses and other current assets			**16,850**		12,842
Income taxes recoverable			**1,275**		507
Total Current Assets		**$**	**209,529**	$	217,002
Restricted cash	*4,7*		**2,916**		4,522
Other assets			**420**		421
Property and equipment			**14,604**		15,772
Intangible assets			**7,337**		7,672
Deferred tax assets			**12,530**		16,421
TOTAL ASSETS		**$**	**247,336**	$	261,810
LIABILITIES AND DEFICIT					
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	*4,7*		**43,362**		55,505
Deferred revenue	*3*		**38,190**		50,522
Income taxes payable			**2,027**		1,860
Finance lease obligation	*4,7*		**36**		37
Onerous lease provisions			**778**		1,018
Total Current Liabilities		**$**	**84,393**	$	108,942
Onerous lease provisions			**1,777**		2,270
Finance lease obligation	*4,7*		**40**		67
Credit facilities	*4*		**68,152**		73,184
Convertible debentures	*4*		**46,290**		43,876
Other financial liabilities	*4*		**11,058**		9,089
Deferred tax liabilities			**5,175**		4,176
TOTAL LIABILITIES		**$**	**216,885**	$	241,604
EQUITY/(DEFICIT)					
Shareholders' Equity/(Deficit)					
Share capital	*6*		**279,679**		279,667
Capital reserve	*11*		**992**		453
Contributed surplus	*6*		**7,397**		7,397
Deficit			**(257,479)**		(269,351)
Convertible debentures – equity component	*4*		**561**		561
Accumulated other comprehensive loss			**(8,107)**		(4,304)
Total Shareholders' Equity/(Deficit)		**$**	**23,043**	$	14,423
Non-controlling interest	*6*		**7,408**		5,783
TOTAL EQUITY/(DEFICIT)		**$**	**30,451**	$	20,206
TOTAL LIABILITIES AND EQUITY/(DEFICIT)		**$**	**247,336**	$	261,810

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(unaudited)

(thousands of Canadian dollars, except per share amounts)	NOTES	THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
Revenue		**$ 89,828**	$ 88,211	**$ 274,522**	$ 267,299
Expenses					
Salaries, fees and employee benefits	*11*	**64,474**	62,241	**192,012**	186,955
Rent		**5,478**	5,364	**17,152**	16,793
Other operating expenses		**8,646**	10,403	**29,815**	31,279
Foreign exchange loss (gain)	*7(a)*	**(2,269)**	(392)	**(1,245)**	8,578
Amortization of intangible assets		**315**	316	**898**	709
Depreciation of property and equipment		**1,079**	1,029	**3,065**	3,155
Increase in fair value of other financial liabilities	*4(b)*	**1,527**	-	**1,969**	-
Impairment of financial assets	*7(b)*	**282**	15	**1,532**	1,095
		79,532	78,976	**245,198**	248,564
OPERATING INCOME		**$ 10,296**	$ 9,235	**$ 29,324**	$ 18,735
Interest expense, net	*7,9*	**2,505**	14,384	**7,724**	22,489
Other finance costs	*9*	**310**	452	**1,207**	1,228
FINANCE COSTS		**$ 2,815**	$ 14,836	**$ 8,931**	$ 23,717
Share of loss of equity accounted investee, net of tax		**-**	-	**348**	32
NET INCOME (LOSS) BEFORE TAX		**$ 7,481**	$ (5,601)	**$ 20,045**	$ (5,014)
Current tax expense	*12*	**(835)**	546	**1,004**	1,760
Deferred tax expense (recovery)	*12*	**2,821**	(1,419)	**4,778**	(2,673)
INCOME TAXES		**$ 1,986**	$ (873)	**$ 5,782**	$ (913)
Net income (loss) from continuing operations		**5,495**	(4,728)	**14,263**	(4,101)
NET INCOME (LOSS)		**$ 5,495**	$ (4,728)	**$ 14,263**	$ (4,101)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are or may be reclassified to profit or loss					
Gain (loss) on translating financial statements of foreign operations, from continuing operations, net of tax		**(5,031)**	304	**(4,569)**	1,160
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**(5,031)**	304	**(4,569)**	1,160
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 464**	$ (4,424)	**$ 9,694**	$ (2,941)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		**4,574**	(3,777)	**11,872**	(3,276)
Non-controlling interests	*6*	**921**	(951)	**2,391**	(825)
NET INCOME (LOSS)		**$ 5,495**	$ (4,728)	**$ 14,263**	$ (4,101)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		**$ 386**	$ (3,535)	**$ 8,069**	$ (2,350)
Non-controlling interests	*6*	**78**	(889)	**1,625**	(591)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 464**	$ (4,424)	**$ 9,694**	$ (2,941)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic and diluted earnings (loss) per share	*6*	**$ 0.15**	$ (0.15)	**$ 0.38**	$ (0.13)

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(thousands of Canadian dollars)	NOTES	THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net income (loss)		**$ 5,495**	$ (4,728)	**$ 14,263**	$ (4,101)
Items not affecting cash:					
Onerous lease provision		**(304)**	(275)	**(733)**	(617)
Depreciation of property and equipment		**1,079**	1,029	**3,065**	3,155
Amortization of intangible assets		**315**	316	**898**	709
Amortization of deferred financing costs	*4,9*	**117**	262	**632**	780
Impairment of financial assets		**282**	15	**1,532**	1,095
Share of loss of equity-accounted investee, net of tax		**-**	-	**348**	32
Foreign exchange loss (gain)	*7*	**(2,269)**	(392)	**(1,245)**	8,578
Interest expense, net	*9*	**2,505**	14,384	**7,724**	22,489
Deferred tax expense (recovery)	*12*	**2,821**	(1,419)	**4,778**	(2,673)
Stock option expense	*11*	**359**	132	**539**	320
Increase in fair value of other financial liabilities		**1,527**	-	**1,969**	-
Interest paid		**(831)**	(667)	**(4,429)**	(5,772)
Income taxes refunded (paid)		**1,137**	(197)	**1,695**	(864)
Change in non-cash operating working capital	*8*	**(1,404)**	5,435	**(19,201)**	(9,530)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		**$ 10,829**	$ 13,895	**$ 11,835**	$ 13,601
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES					
Payments on principal of notes payable		**-**	-	**-**	(4,076)
Payments on principal of credit facilities		**(1,741)**	(47,980)	**(4,702)**	(37,988)
Issuance of convertible debentures		**-**	46,000	**-**	46,000
Costs from issuance of convertible debentures		**-**	(2,594)	**-**	(2,594)
Payments on principal of finance lease obligation		**(9)**	(10)	**(28)**	(138)
Proceeds from shares issued	*6*	**-**		**8**	-
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		**$ (1,750)**	$ (4,584)	**$ (4,722)**	$ 1,204
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Purchase of property and equipment		**(837)**	(736)	**(2,138)**	(2,886)
Purchase of intangible assets		**(317)**	(520)	**(710)**	(1,692)
Investment in equity-accounted investee		**-**	-	**(348)**	-
Restricted cash	*4*	**-**	(3,282)	**1,381**	(9,811)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**$ (1,154)**	$ (4,538)	**$ (1,815)**	$ (14,389)
Effect of foreign exchange rate fluctuations on cash held	*7*	**(420)**	(233)	**(29)**	(944)
NET INCREASE (DECREASE) IN CASH		**$ 7,505**	$ 4,540	**$ 5,269**	$ (528)
Cash, beginning of period		**5,772**	2,900	**8,008**	7,968
CASH, END OF PERIOD		**$ 13,277**	$ 7,440	**$ 13,277**	$ 7,440

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

(unaudited)

(thousands of Canadian dollars)	NOTES	THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
SHARE CAPITAL					
Share capital, beginning of period		**$ 279,679**	$ 248,422	**$ 279,667**	$ 248,422
Shares issued	*6*	**-**	-	**12**	-
SHARE CAPITAL, END OF PERIOD		**$ 279,679**	$ 248,422	**$ 279,679**	$ 248,422
CAPITAL RESERVE					
Capital reserve, beginning of period		**$ 633**	$ 188	**$ 453**	$ -
Stock options granted	*11*	**282**	132	**466**	$ 320
Stock options exercised	*11*	**-**	-	**(4)**	-
Performance share units granted	*11*	**77**	-	**77**	-
CAPITAL RESERVE, END OF PERIOD		**$ 992**	$ 320	**$ 992**	$ 320
CONTRIBUTED SURPLUS					
Contributed surplus, beginning of period		**$ 7,397**	$ 3,002	**$ 7,397**	$ 3,002
CONTRIBUTED SURPLUS, END OF PERIOD		**$ 7,397**	$ 3,002	**$ 7,397**	$ 3,002
DEFICIT					
Deficit, beginning of period		**$ (262,053)**	$ (271,664)	**$ (269,351)**	(272,165)
Net income (loss) attributable to common shareholders		**4,574**	(3,777)	**11,872**	(3,276)
DEFICIT, END OF PERIOD		**$ (257,479)**	$ (275,441)	**$ (257,479)**	$ (275,441)
CONVERTIBLE DEBENTURES					
Convertible debentures, beginning of period	*4(b)*	**$ 561**	$ 4,956	**561**	4,956
CONVERTIBLE DEBENTURES, END OF PERIOD		**$ 561**	$ 4,956	**$ 561**	$ 4,956
ACCUMULATED OTHER COMPREHENSIVE LOSS					
Accumulated other comprehensive loss, beginning of period		**$ (3,918)**	$ (3,536)	**$ (4,304)**	(4,220)
Other comprehensive income (loss) attributable to common shareholders		**(4,189)**	242	**(3,803)**	926
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		**$ (8,107)**	$ (3,294)	**$ (8,107)**	$ (3,294)
TOTAL SHAREHOLDERS' EQUITY/(DEFICIT)		**$ 23,043**	$ (22,035)	**$ 23,043**	$ (22,035)
NON-CONTROLLING INTEREST					
Non-controlling interest, beginning of period		**$ 7,330**	$ 5,422	**$ 5,783**	5,124
Total comprehensive income (loss) attributable to non-controlling interests	*6*	**78**	(889)	**1,625**	(591)
NON-CONTROLLING INTEREST, END OF PERIOD		**$ 7,408**	$ 4,533	**$ 7,408**	$ 4,533
TOTAL EQUITY/(DEFICIT), END OF PERIOD		**$ 30,451**	$ (17,502)	**$ 30,451**	$ (17,502)

See accompanying notes to the 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 (the “CBCA”) 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, 2017, the Company’s common share capital consisted of 31,190,153 (December 31, 2016 – 31,186,819) 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 partnership unit. Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders of the Company.

If all of the outstanding Class B partnership units were converted to common shares, the common share capital as at September 30, 2017 would be 37,472,375 (December 31, 2016 –37,469,041). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 37.5% of the voting shares as at September 30, 2017 (December 31, 2016 – 37.5%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at September 30, 2017:

	NUMBER OF UNITS HELD	**PERCENTAGE OF TOTAL OWNERSHIP**
Class B partnership units and non-participating voting shares held by the Management Partnership	6,282,222	16.77%
Common shares held by the Management Partnership and affiliated partnerships	7,763,329	20.72%

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.

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

The table below summarizes the trading symbols of the Company's securities which are listed on the Toronto Stock Exchange ("TSX") as at September 30, 2017:

SECURITY	**TRADING SYMBOL**
Common shares	"IBG"
7.0% convertible debentures (Option A), $14,755 principal, convertible at $19.17 per share, matures on June 30, 2019 ("7.0% Debentures")	"IBG.DB.C"
5.5% convertible debentures, $46,000 principal, convertible at $8.35 per share, matures on December 31, 2021 ("5.5% Debentures")	"IBG.DB.D"

The Company's registered head office is 55 St. Clair Ave. West, 7th Floor, Toronto, Ontario, M4V 2Y7.

NOTE 2: BASIS OF PREPARATION

(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,* as issued by the International Accounting Standards Board and accounting policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2016 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 and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2016. These interim financial statements were approved by the Company's Board of Directors on November 8, 2017.

(b) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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 condensed consolidated statement of financial position ("interim statement of financial position"), and the reported amounts of revenue and expenses for the period covered by the interim condensed consolidated statement of income (loss) and comprehensive income (loss) ("interim statement of income and comprehensive income"). Actual amounts may differ from these estimates.

(c) CHANGES IN ACCOUNTING POLICIES

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.

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the interim 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 Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's financial statements as the Company does not have any debt instruments measured at fair value through profit and loss.

(d) FUTURE ACCOUNTING POLICY CHANGES

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 project plan to determine the impact of the standard. The first phase was to review contracts in the different practice areas that may be impacted by the adoption of this standard given contracting practices. The Company is in the second phase of the project plan where its review of contracts is focused on contracts where the terms and conditions of the contract may impact the timing of the revenue recognized under the new standard. In 2015, the Company standardized its contract template to include terms and conditions that considered the criteria set out to recognize revenue in accordance with IFRS 15. As a result, the Company expects that the effort to complete contract reviews for those entered into in 2015 and beyond will be more streamlined and will not result in a significant change to the revenue recognized.

The extent of the impact of adoption of the standard has not yet been determined, but management expects the contracts that are accounted for as multiple-element arrangements will have the most complexity. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

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 Company has adopted a transition plan and timeline to review the impact of the standard. Based on preliminary scoping, the Company expects the standard to impact loss provisions against Accounts Receivable and Work in Progress which will be called Contract Assets under the new standards.

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 Company has established a transition plan to collect the necessary information on all of the operating leases in the spring of 2018 to begin the process to quantify the impact of adopting the standard. The Company will evaluate the transition elections at that time. The extent of the impact of adoption of the interpretation 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. Currently, the Company's share based awards are all equity settled awards and do not contain cash-settled share-based payment features. To the extent an award is offered in the future with such features, the Company will evaluate the effect of these changes.

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.

IFRIC 23 *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the interpretation has not yet been determined.

Annual Improvements to IFRS (2014 - 2016) Cycles

On December 8, 2016, the IASB issued narrow-scope amendments to three 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 intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

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

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 information contained in the interim statement of financial position segmented geographically as at September 30, 2017, with comparatives as at December 31, 2016:

	AS AT SEPTEMBER 30, 2017			
	CANADA	**U.S.**	**INTERNATIONAL**	**TOTAL**
Property and equipment	$ 9,727	3,045	$ 1,832	$ 14,604
Intangible assets	4,861	2,001	475	7,337
Work in process	44,811	18,454	28,309	91,574
Reserve for work in process	(5,154)	-	-	(5,154)
Work in process, net	39,657	18,454	28,309	86,420
Deferred revenue	23,670	6,265	8,255	38,190
Total assets	119,223	54,655	73,458	247,336

	AS AT DECEMBER 31, 2016			
	CANADA	**U.S.**	**INTERNATIONAL**	**TOTAL**
Property and equipment	$ 10,431	$ 3,837	$ 1,504	$ 15,772
Intangible assets	4,599	2,519	554	7,672
Work in process	53,082	12,121	30,895	96,098
Reserve for work in process	(8,788)	-	(258)	(9,046)
Work in process, net	44,294	12,121	30,637	87,052
Deferred revenue	31,064	6,504	12,954	50,522
Total assets	125,844	64,037	71,929	261,810

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

The following table demonstrates certain information contained in the interim statement of income and comprehensive income segmented geographically for the three and nine months ended September 30, 2017, with comparatives for the three and nine months ended September 30, 2016. The unallocated amounts for the three and nine months ended September 30, 2017, pertain to interest on convertible debentures, accretion expense on convertible debentures, amortization of deferred financing cost and long term debt interest. The unallocated amounts for the three and nine months ended September 30, 2016, pertain to interest on convertible debentures, accretion expense on convertible debentures, amortization of deferred financing cost, long term debt interest and interest on consent fee note.

	THREE MONTHS ENDED SEPTEMBER 30, 2017				
	UNALLOCATED CORPORATE COSTS	**CANADA**	**U.S.**	**INTERNATIONAL**	**TOTAL**
Revenues	$ -	$ 51,199	$ 26,857	$ 11,772	$ 89,828
Net income (loss) before tax	$ (1,546)	$ 8,612	$ 489	$ (74)	$ 7,481
Foreign exchange (gain) loss	-	(2,367)	(305)	403	(2,269)
Net income (loss) before tax and foreign exchange	$ (1,546)	$ 6,245	$ 184	$ 329	$ 5,212

	NINE MONTHS ENDED SEPTEMBER 30, 2017				
	UNALLOCATED CORPORATE COSTS	**CANADA**	**U.S.**	**INTERNATIONAL**	**TOTAL**
Revenues	$ -	$ 153,551	$ 85,923	$ 35,048	$ 274,522
Net income (loss) before tax	$ (8,211)	$ 24,094	$ 2,740	$ 1,422	$ 20,045
Foreign exchange (gain) loss	-	(1,644)	(462)	861	(1,245)
Net income (loss) before tax and foreign exchange	$ (8,211)	$ 22,450	$ 2,278	$ 2,283	$ 18,800

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

	THREE MONTHS ENDED SEPTEMBER 30, 2016				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	$ -	$ 45,558	$ 30,076	$ 12,577	$ 88,211
Net income (loss) before tax	$ (13,560)	$ 3,488	$ 3,080	$ 1,391	$ (5,601)
Foreign exchange loss	-	(450)	11	47	(392)
Net income (loss) before tax and foreign exchange	$ (13,560)	$ 3,038	$ 3,091	$ 1,438	$ (5,993)

	NINE MONTHS ENDED SEPTEMBER 30, 2016				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	$ -	$ 138,934	$ 89,660	$ 38,705	$ 267,299
Net income (loss) before tax	$ (19,897)	$ 3,164	$ 7,286	$ 4,433	$ (5,014)
Foreign exchange loss	-	8,041	55	482	8,578
Net income (loss) before tax and foreign exchange	$ (19,897)	$ 11,205	$ 7,341	$ 4,915	$ 3,564

NOTE 4: FINANCIAL INSTRUMENTS

(a) INDEBTEDNESS

On June 30, 2017, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a $130,000 revolver facility, of which a maximum of $10,000 is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at September 30, 2017, the interest rate on Canadian dollar borrowings was 4.45% (September 30, 2016 – 4.95%) and 6.50% on U.S dollar borrowings (September 30, 2016 – 6.25%). The terms of the amended and restated credit facilities exclude the requirement to maintain a segregated cash collateral account (“Sinking Fund”). As a result of this amendment the balance of the Sinking Fund, $3,624, has been reclassified from Restricted Cash to Cash. Under the previous agreement, the Company was required to make additional deposits each quarter to the Sinking Fund for pre-defined amounts, these deposits are no longer required.

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

As at September 30, 2017, IBI Group has borrowings of $69,897 (December 31, 2016 - $74,737) under the credit facilities, which has been recognized net of deferred financing costs of $1,745 (December 31, 2016 - $1,553). As at September 30, 2017, IBI Group has letters of credit outstanding of $7,083 (December 31, 2016 - $8,034), of which $5,646 (December 31, 2016 - $5,816) is issued under a $30,000 facility which matures on June 30, 2018 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 U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At September 30, 2017, $69,765 was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt (December 31, 2016 - $32,117).

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at September 30, 2017.

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.

(b) CONVERTIBLE DEBENTURES

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures				
Balance at January 1, 2017	10,859	561	-	11,420
Accretion of 7.0% Debentures 2017	965	-	-	965
Balance at September 30, 2017	11,824	561	-	12,385
5.5% Debentures				
Balance at January 1, 2017	33,017	-	9,089	42,106
Accretion of 5.5% Debentures 2017	1,449	-	-	1,449
Increase in fair value of other financial liabilities 2017	-	-	1,969	1,969
Balance at September 30, 2017	34,466	-	11,058	45,524
BALANCE, SEPTEMBER 30, 2017	$ 46,290	$ 561	$ 11,058	$ 57,909

7.0% DEBENTURES ($46,000 PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED DECEMBER 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 were repaid on December 31, 2016.

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 $29,988 principal of the 7.0% Debentures had exercised the $5 share conversion option and received 5,997,600 shares. For the balance of $1,257 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 $12,485 being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016.

The fair value of the remaining 7.0% Debentures under Option A is $15,196 (December 31, 2016 - $15,043) with a face value of $14,755 should they be redeemed for cash prior to or at maturity. The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

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

5.5% DEBENTURES ($46,000 PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of $46,000 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 $32,498 which was net of deferred financing costs of $2,594, estimated using discounted future cash flows at an estimated discount rate 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 $10,908 at the date of issuance, and recorded as part of Other financial liabilities in the interim statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at September 30, 2017, the fair value of the derivative component was $11,058 (December 31, 2016 - $9,089).

The fair value of the convertible debentures as at September 30, 2017, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	$ 34,466	$ 48,990
7.0% Debentures	11,824	15,198
BALANCE, SEPTEMBER 30, 2017	$ 46,290	$ 64,188

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

The fair value of the convertible debentures as at December 31, 2016, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	$ 33,017	$ 46,920
7.0% Debentures	10,859	15,043
BALANCE, DECEMBER 31, 2016	$ 43,876	$ 61,963

(c) FINANCIAL ASSETS AND LIABILITIES

The fair values of accounts receivable, accounts payable and accrued liabilities, and finance lease obligation approximate their carrying amounts due to their short-term maturity. The fair value of the credit facilities approximate its carrying amount due to the variable rate of interest.

The carrying amount of the Company's financial instruments as at September 30, 2017 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS				
Cash	$ 13,277	$ -	$ -	$ 13,277
Restricted cash	2,916	-	-	2,916
Accounts receivable	-	91,707	-	91,707
TOTAL	$ 16,193	$ 91,707	$ -	$ 107,900
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 40,908	$ 40,908
Deferred share plan liability	2,454	-	-	2,454
Finance lease obligation	-	-	76	76
Credit facilities	-	-	68,152	68,152
Convertible debentures	-	-	46,290	46,290
Other Financial Liabilities	11,058	-	-	11,058
TOTAL	$ 13,512	$ -	$ 155,426	$ 168,938

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

The carrying amount of the Company's financial instruments as at December 31, 2016 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS				
Cash	$ 8,008	$ -	$ -	$ 8,008
Restricted cash	4,522	-	-	4,522
Accounts receivable	-	108,593	-	108,593
TOTAL	$ 12,530	$ 108,593	$ -	$ 121,123
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 53,145	$ 53,145
Deferred share plan liability	2,360	-	-	2,360
Finance lease obligation	-	-	104	104
Credit facilities	-	-	73,184	73,184
Convertible debentures	-	-	43,876	43,876
Other Financial Liabilities	9,089	-	-	9,089
TOTAL	$ 11,449	$ -	$ 170,309	$ 181,758

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

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, 2017 and December 31, 2016:

	AS AT SEPTEMBER 30, 2017		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 13,277	$ -	$ -
Restricted cash	2,916	-	-
Deferred share plan liability	-	(2,454)	-
Other Financial Liabilities	-	(11,058)	-
	$ 16,193	$ (13,512)	$ -

	AS AT DECEMBER 31, 2016		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 8,008	$ -	$ -
Restricted cash	4,522	-	-
Deferred share plan liability	-	(2,360)	-
Other Financial Liabilities	-	(9,089)	-
	$ 12,530	$ (11,449)	$ -

NOTE 5: RELATED PARTY TRANSACTIONS

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 three months ended September 30, 2017 was $5,179 (three months ended September 30, 2016 - $5,867) and $15,866 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $17,742). As at September 30, 2017, there were 80 partners (December 31, 2016 – 87 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, 2017 and December 31, 2016, the amount of distributions payable to the Management Partnership were $nil.

NOTE 6: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at September 30, 2017, the Company's common share capital consisted of 31,190,153 shares issued and outstanding (December 31, 2016 –31,186,819 shares).

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 partnership unit. If all such

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

Class B partnership units of IBI Group had been exchanged for shares on September 30, 2017, the units issued on such exchange would have represented a 16.77% 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. The Class B partnership units have been recorded as a non-controlling interest in the interim financial statements as at September 30, 2017.

SHARE ISSUANCES

During the nine months ended September 30, 2017, the Company issued 3,334 common shares as a result of exercises of stock options granted in January 2016.

EARNINGS PER SHARE

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 stock options are included in the calculation of net income per common share or weighted average number of common shares outstanding.

	THREE MONTHS SEPTEMBER 30,		NINE MONTHS SEPTEMBER 30,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	$ 5,495	$ (4,728)	$ 14,263	$ (4,101)
Net income (loss) attributable to owners of the Company	$ 4,574	$ (3,777)	$ 11,872	$ (3,276)
Weighted average common shares outstanding	31,190	24,967	31,190	24,967
Dilutive effect of Class B partnership units	6,282	-	6,282	-
Dilutive effect of stock options granted	387	-	379	-
Diluted weighted average common shares	37,859	24,967	37,851	24,967
Basic and diluted earnings (loss) per common	$ 0.15	$ (0.15)	$ 0.38	$ (0.13)

(b) NON-CONTROLLING INTEREST

Non-controlling interest in the Company's subsidiaries is 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 interim condensed consolidated statement of changes in equity for the three and nine months ended September 30, 2017 and 2016.

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	$ 5,495	$ (4,728)	$ 14,263	$ (4,101)
Non-controlling interest share of ownership	16.77%	20.10%	16.77%	20.10%
Net income (loss) attributable to non-controlling interest	$ 921	$ (951)	$ 2,391	$ (825)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017	**2016**	**2017**	**2016**
Total comprehensive income (loss)	$ 464	$ (4,424)	$ 9,694	$ (2,941)
Non-controlling interest share of ownership	16.77%	20.10%	16.77%	20.10%
Total comprehensive income (loss) attributable to non-controlling interest	$ 78	$ (889)	$ 1,625	$ (591)

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 interim statement of financial position, income and 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, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the nine months ended September 30, 2017 would have decreased or increased by approximately $256.

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.

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

If the exchange rates had been 100 basis points higher or lower as at September 30, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by $184 for the nine months ended September 30, 2017. If the exchange rates had been 100 basis points higher or lower as at September 30, 2017, with all other variables held constant, net income would have increased or decreased by $44 for the nine months ended September 30, 2017.

(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 revenue in accounts receivable (a non-IFRS measure). At September 30, 2017 there were 51 working days of revenue in accounts receivable, compared to 60 days at December 31, 2016. The maximum exposure to credit risk, at the date of the interim 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 interim 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:

	AS AT	
	SEPTEMBER 30, 2017	**DECEMBER 31, 2016**
Current	$ 38,253	$ 46,057
30 to 90 days	23,165	29,315
Over 90 days	39,379	43,097
Allowance for impairment losses	(9,090)	(9,876)
TOTAL	$ 91,707	$ 108,593

(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 – Financial Instruments) and access to capital markets.

On June 30, 2017, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to Note 4 – Financial Instruments).

As at September 30, 2017, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300, which is equal to CAD $2,916 (December 31, 2016 – CAD $3,141). The Company has pledged U.S $2,300 (December 31, 2016 – U.S $2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at September 30, 2017, the Company has letters of credit outstanding to foreign institutions of $1,437 (December 31, 2016 - $2,217).

(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 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 a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with the credit facility covenants as at September 30, 2017.

[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; gain/loss on fair valuation of financial instruments; 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.

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

NOTE 8: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017	**2016**	**2017**	**2016**
Accounts receivable	$ 1,064	$ (4,285)	$ 17,260	$ (1,149)
Work in process	6,674	102	247	(12,899)
Prepaid expenses and other assets	1,118	2,142	(5,179)	(2,316)
Accounts payable and accrued liabilities	(4,160)	2,138	(15,505)	(500)
Deferred revenue	(3,902)	5,274	(15,272)	6,745
Net income taxes payable	(2,198)	64	(752)	589
Change in non-cash operating working capital	$ (1,404)	$ 5,435	$ (19,201)	$ (9,530)

NOTE 9: FINANCE COSTS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017	**2016**	**2017**	**2016**
Interest on credit facilities	$ 730	$ 760	$ 2,490	$ 2,340
Interest on convertible debentures	896	1,764	2,667	5,099
Interest on consent fee notes payable	-	63	-	186
Non-cash accretion of convertible debentures	840	11,602	2,414	14,247
Non-cash accretion of consent fee notes payable	-	121	-	355
Other	39	74	153	262
INTEREST EXPENSE, NET	**$ 2,505**	**$ 14,384**	**$ 7,724**	**$ 22,489**
Amortization of deferred financing costs	117	262	632	780
Other	193	190	575	448
OTHER FINANCE COSTS	**$ 310**	**$ 452**	**$ 1,207**	**$ 1,228**
FINANCE COSTS	**$ 2,815**	**$ 14,836**	**$ 8,931**	**$ 23,717**

NOTE 10: 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 that 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 11: SHARE-BASED COMPENSATION

CASH SETTLED TRANSACTIONS

The Company has a share-based compensation plan which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as financial liabilities at Fair Value Through Profit and Loss (“FVTPL”). On the grant date, the deferred shares are measured at fair value based on the market price with subsequent changes to the fair value until settlement recorded as salaries, fees and employee benefit expenses. The change in fair value of the deferred shares is recognized in other operating expenses in the interim statement of income and comprehensive income. During the three months ended September 30, 2017, an expense of $251 was recognized (three months ended September 30, 2016 – expense of $365) due to market movement in the share price. During the nine months ended September 30, 2017 an expense of $576 was recognized (nine months ended September 30, 2016 – expense of $1,334) due to market movement in the share price. On May 11, 2017, two members of the Board of Directors settled 123,641 deferred share units for $846 upon their resignation.

EQUITY SETTLED TRANSACTIONS

Stock options

The Company has an equity-settled stock option plan. The grant-date fair value of the stock options is recognized as salaries, fees and employee expenses, with a corresponding increase to capital reserve over the vesting period of the stock options. Market conditions are reflected in the initial measurement of fair-value, with no subsequent true-up for differences between expected and actual outcomes.

Under the terms of the Company’s stock option plan, the options vest evenly over a three year period on each of the first, second and third anniversary dates of the grant, expire on the tenth anniversary of the date of the grant, and are measured using the Black-Scholes model.

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

The following inputs were used in the measurement of the fair values at the grant date of the options:

Grant date	Options issued	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility (weighted average)	Expected life (weighted average)	Expected dividends	Risk-free interest rate
January 15, 2016								
Tranche 1	178,333	$ 1.14	$ 2.13	$ 2.33	64.2%	5.5 years	0%	0.64%
Tranche 2	178,333	$ 1.16	$ 2.13	$ 2.33	62.1%	6.0 years	0%	0.72%
Tranche 3	178,334	$ 1.17	$ 2.13	$ 2.33	60.2%	6.5 years	0%	0.81%
	535,000							
May 25, 2016								
Tranche 1	33,071	$ 2.63	$ 4.53	$ 4.49	66.9%	5.5 years	0%	0.86%
Tranche 2	33,071	$ 2.63	$ 4.53	$ 4.49	64.3%	6.0 years	0%	0.92%
Tranche 3	33,071	$ 2.67	$ 4.53	$ 4.49	62.3%	6.5 years	0%	0.99%
	99,213							
May 12, 2017								
Tranche 1	23,036	$ 4.31	$ 7.30	$ 7.01	67.1%	5.5 years	0%	1.07%
Tranche 2	23,036	$ 4.36	$ 7.30	$ 7.01	65.1%	6.0 years	0%	1.14%
Tranche 3	23,035	$ 4.39	$ 7.30	$ 7.01	62.8%	6.5 years	0%	1.20%
	69,107							
July 17, 2017								
Tranche 1	105,500	$ 3.88	$ 6.63	$ 6.63	67.0%	5.5 years	0%	1.55%
Tranche 2	105,500	$ 3.95	$ 6.63	$ 6.63	65.2%	6.0 years	0%	1.60%
Tranche 3	105,500	$ 3.97	$ 6.63	$ 6.63	62.8%	6.5 years	0%	1.64%
	316,500							
August 9, 2017								
Tranche 1	25,772	$ 3.97	$ 6.77	$ 6.79	67.0%	5.5 years	0%	1.57%
Tranche 2	25,772	$ 4.02	$ 6.77	$ 6.79	65.0%	6.0 years	0%	1.61%
Tranche 3	25,771	$ 4.05	$ 6.77	$ 6.79	62.8%	6.5 years	0%	1.66%
	77,315							

Expected volatility is based on an evaluation of the historical volatility of the Company's share price over the historical period commensurate with the expected term. The expected term of the instruments has been based on general option-holder behavior.

For the three and nine months ended September 30, 2017, the Company has recognized an expense of $282 and $466, respectively (three and nine months ended September 30, 2016 - $132 and $320, respectively) in salaries, fees and employee benefits for stock options in the interim statement of income and comprehensive income.

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

The following stock option arrangements were in existence as at September 30, 2017:

Grant date	Expiry date	Options issued	Options exercised	Options cancelled/ forfeited	Options outstanding	Options exercisable	Exercise price	Fair value at grant date
15-Jan-16	15-Jan-26	535,000	3,334	13,333	518,333	174,999 $	2.33 $	618,816
25-May-16	25-May-26	99,213	-	-	99,213	33,071 $	4.49 $	262,253
16-May-17	16-May-27	69,107	-	-	69,107	-$	7.01 $	300,846
17-Jul-17	17-Jul-27	316,500	-	-	316,500	-$	6.63 $	1,245,954
9-Aug-17	9-Aug-27	77,315	-	-	77,315	-$	6.79 $	310,550
		1,097,135	3,334	13,333	1,080,468	208,070	$	2,738,419

Performance share units

On August 9, 2017, the Company adopted a PSU plan for senior executives. Under that plan, the Board of Directors may grant PSUs to participants which entitles them to receive one common share for each PSU. The vesting and performance conditions are determined by the Board of Directors at the time of each grant.

The Company has recognized an expense of $77 for the three and nine months ended September 30, 2017, (three and nine months ended September 30, 2016 - $nil), in salaries, fees and employee benefits for PSUs in the interim statement of income and comprehensive income.

NOTE 12: INCOME TAXES

Income taxes for the three and nine months ended September 30, 2017 was $1,986 and $5,782, respectively (three and nine months ended September 30, 2016 – recovery of $873 and $913, respectively). The effective income tax rate for the three and nine months ended September 30, 2017 was 26.5% and 28.8%, respectively (three and nine months ended September 30, 2016 – recovery of 15.6% and 18.21%, respectively). The increase in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.