



# IBI Group 2017 Fourth-Quarter Financial Statements

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YEARS ENDED  
DECEMBER 31, 2017 AND 2016

**CONSOLIDATED FINANCIAL STATEMENTS OF**

**IBI GROUP INC.**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of IBI Group Inc.

We have audited the accompanying consolidated financial statements of IBI Group Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive income, cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of IBI Group Inc. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada  
March 8, 2018

# IBI GROUP INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Canadian dollars)</i>	NOTES	DECEMBER 31, 2017	DECEMBER 31, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	\$ 9,833	\$ 8,008
Accounts receivable	6,12	111,219	108,593
Work in process	5	79,040	87,052
Prepaid expenses and other current assets		16,446	12,842
Income taxes recoverable	9	2,324	507
<b>Total Current Assets</b>		<b>\$ 218,862</b>	<b>\$ 217,002</b>
Restricted cash	6,12	2,936	4,522
Other assets		360	421
Property and equipment	7	15,352	15,772
Intangible assets	8	7,639	7,672
Deferred tax assets	9	11,167	16,421
<b>TOTAL ASSETS</b>		<b>\$ 256,316</b>	<b>\$ 261,810</b>
<b>LIABILITIES AND DEFICIT</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	6,12	48,782	55,505
Deferred revenue	5	43,186	50,522
Income taxes payable	9	1,486	1,860
Finance lease obligation	6,12	36	37
Onerous lease provisions		4,197	1,018
<b>Total Current Liabilities</b>		<b>\$ 97,687</b>	<b>\$ 108,942</b>
Onerous lease provisions		1,082	2,270
Finance lease obligation	6,12	31	67
Credit facilities	6	63,842	73,184
Convertible debentures	6	47,157	43,876
Other financial liabilities	6	13,011	9,089
Deferred tax liabilities	9	4,525	4,176
<b>TOTAL LIABILITIES</b>		<b>\$ 227,335</b>	<b>\$ 241,604</b>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
Share capital	11	279,679	279,667
Capital reserve	11	1,362	453
Contributed surplus	11	7,397	7,397
Deficit		(259,886)	(269,351)
Convertible debentures – equity component	6	561	561
Accumulated other comprehensive loss		(7,232)	(4,304)
<b>Total Shareholders' Equity</b>		<b>\$ 21,881</b>	<b>\$ 14,423</b>
Non-controlling interest	11	7,100	5,783
<b>TOTAL EQUITY</b>		<b>\$ 28,981</b>	<b>\$ 20,206</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 256,316</b>	<b>\$ 261,810</b>

See accompanying notes to the consolidated financial statements.

# IBI GROUP INC.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017

(thousands of Canadian dollars, except per share amounts)

	NOTES	2017	2016
Revenue		\$ 361,408	\$ 354,140
Expenses			
Salaries, fees and employee benefits	10,18	255,915	248,869
Rent	14	25,702	22,740
Other operating expenses		39,688	41,781
Foreign exchange (gain) loss	12(a)	(989)	7,363
Amortization of intangible assets	8	1,231	1,002
Depreciation of property and equipment	7	3,229	4,323
Loss (gain) in fair value of other financial liabilities	6(b)	3,922	(1,819)
Impairment of financial assets	12	1,680	1,653
		330,378	325,912
<b>OPERATING INCOME</b>		\$ 31,030	\$ 28,228
Interest expense, net	12,15	10,326	25,553
Other finance costs	15	1,466	1,642
<b>FINANCE COSTS</b>		\$ 11,792	\$ 27,195
Share of loss of equity accounted investee, net of tax	19	348	32
<b>NET INCOME BEFORE TAX</b>		\$ 18,890	\$ 1,001
Current tax expense	9	1,963	2,908
Deferred tax expense (recovery)	9	5,555	(5,401)
<b>INCOME TAXES</b>		\$ 7,518	\$ (2,493)
<b>NET INCOME</b>		\$ 11,372	\$ 3,494
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Loss on translating financial statements of foreign operations		(3,518)	(105)
<b>OTHER COMPREHENSIVE LOSS</b>		(3,518)	(105)
<b>TOTAL COMPREHENSIVE INCOME</b>		\$ 7,854	\$ 3,389
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Common shareholders		9,465	2,814
Non-controlling interests	11	1,907	680
<b>NET INCOME</b>		\$ 11,372	\$ 3,494
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Common shareholders		\$ 6,537	\$ 2,730
Non-controlling interests	11	1,317	659
<b>TOTAL COMPREHENSIVE INCOME</b>		\$ 7,854	\$ 3,389
<b>EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>			
Basic and diluted earnings per share	11	\$ 0.30	\$ 0.11

See accompanying notes to the consolidated financial statements.

# IBI GROUP INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(thousands of Canadian dollars)

	NOTES	2017	2016
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Net income		\$ 11,372	\$ 3,494
Items not affecting cash:			
Onerous lease provision	14	1,991	(951)
Depreciation of property and equipment	7	3,229	4,323
Amortization of intangible assets	8	1,231	1,002
Amortization of deferred financing costs	15	775	1,041
Impairment of financial assets	12	1,680	1,653
Share of loss of equity-accounted investee, net of tax	19	348	32
Foreign exchange (gain) loss	12	(989)	7,363
Interest expense, net	15	10,326	25,553
Deferred tax expense (recovery)	9	5,555	(5,401)
Stock option expense	18	913	453
Loss on disposal of property and equipment	7	936	1,197
Loss (gain) in fair value of other financial liabilities	6(b)	3,922	(1,819)
Interest paid		(7,062)	(8,608)
Income taxes paid		(3,941)	(1,449)
Change in non-cash operating working capital	13	(15,147)	4,164
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>\$ 15,139</b>	<b>\$ 32,047</b>
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>			
Payments on principal of notes payable		-	(4,076)
Payments on principal of credit facilities	6	(8,210)	(1,263)
Payments on principal of consent fee		-	(3,545)
Issuance of convertible debentures	6	-	46,000
Costs from issuance of convertible debentures	6	-	(2,594)
Redemption of convertible debentures	6	-	(57,500)
Deferred financing costs	6	(1,031)	-
Payments on principal of finance lease obligation		(37)	(148)
Proceeds from shares issued	11	8	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>\$ (9,270)</b>	<b>\$ (23,126)</b>
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	(3,941)	(6,726)
Purchase of intangible assets	8	(1,326)	(2,070)
Increase investment in equity-accounted investee	19	(348)	-
Restricted cash	6	1,381	629
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>\$ (4,234)</b>	<b>\$ (8,167)</b>
Effect of foreign exchange rate fluctuations on cash held	12	190	(714)
<b>NET INCREASE IN CASH</b>		<b>\$ 1,825</b>	<b>\$ 40</b>
Cash, beginning of period		8,008	7,968
<b>CASH, END OF PERIOD</b>		<b>\$ 9,833</b>	<b>\$ 8,008</b>

See accompanying notes to the consolidated financial statements.

# IBI GROUP INC.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

(thousands of Canadian dollars)

	NOTES	2017	2016
<b>SHARE CAPITAL</b>			
Share capital, beginning of period		\$ 279,667	\$ 248,422
Shares issued	11	12	31,245
<b>SHARE CAPITAL, END OF PERIOD</b>		<b>\$ 279,679</b>	<b>\$ 279,667</b>
<b>CAPITAL RESERVE</b>			
Capital reserve, beginning of period		\$ 453	\$ -
Stock options granted	18	810	453
Stock options exercised	18	(4)	-
Performance share units granted	18	103	-
<b>CAPITAL RESERVE, END OF PERIOD</b>		<b>\$ 1,362</b>	<b>\$ 453</b>
<b>CONTRIBUTED SURPLUS</b>			
Contributed surplus, beginning of period		\$ 7,397	3,002
Redemption of 6% debentures		-	3,206
Conversion of 7% debentures		-	1,189
<b>CONTRIBUTED SURPLUS, END OF PERIOD</b>		<b>\$ 7,397</b>	<b>\$ 7,397</b>
<b>DEFICIT</b>			
Deficit, beginning of period		\$ (269,351)	(272,165)
Net income attributable to common shareholders		9,465	2,814
<b>DEFICIT, END OF PERIOD</b>		<b>\$ (259,886)</b>	<b>\$ (269,351)</b>
<b>CONVERTIBLE DEBENTURES – EQUITY COMPONENT</b>			
Convertible debentures, beginning of period	6(b)	561	4,956
Redemption of 6% debentures	6(b)	-	(3,206)
Conversion of 7% debentures	6(b)	-	(1,189)
<b>CONVERTIBLE DEBENTURES, END OF PERIOD</b>		<b>\$ 561</b>	<b>\$ 561</b>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>			
Accumulated other comprehensive loss, beginning of period		\$ (4,304)	(4,220)
Other comprehensive loss attributable to common shareholders		(2,928)	(84)
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD</b>		<b>\$ (7,232)</b>	<b>\$ (4,304)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>\$ 21,881</b>	<b>\$ 14,423</b>
<b>NON-CONTROLLING INTEREST</b>			
Non-controlling interest, beginning of period		\$ 5,783	5,124
Total comprehensive income attributable to non-controlling interests	11	1,317	659
<b>NON-CONTROLLING INTEREST, END OF PERIOD</b>		<b>\$ 7,100</b>	<b>\$ 5,783</b>
<b>TOTAL EQUITY, END OF PERIOD</b>		<b>\$ 28,981</b>	<b>\$ 20,206</b>

See accompanying notes to the consolidated financial statements.

**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 December 31, 2017, the Company’s common share capital consisted of 31,190,153 (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 subordinated 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 December 31, 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 35.2% of the voting shares as at December 31, 2017 (December 31, 2016 – 37.5%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 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	6,910,276	18.44%

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2016:

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL OWNERSHIP
Class B partnership units and non-participating voting shares held	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.

The table below summarizes the trading symbols of the Company's securities which are listed on the Toronto Stock Exchange as at December 31, 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 consolidated financial statements of the Company and its subsidiaries (the "consolidated group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 8, 2018.

### (b) BASIS OF MEASUREMENT

These consolidated financial statements were prepared on a going concern basis. Amounts are recorded under the historical cost convention, except for certain financial liabilities measured at fair value through profit or loss ("FVTPL"), as described in Note 3(i).

### (c) BASIS OF CONSOLIDATION

#### SUBSIDIARIES

Subsidiaries are entities over which the Company has control. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that effective control commences and are de-consolidated from the date control ceases.

#### JOINT ARRANGEMENTS

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplined projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture or associate requires judgment by management to

analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. All current partnering arrangements are classified as joint operations.

The Company recognizes its assets, liabilities and transactions in relation to its proportionate share of joint operations in the consolidated financial statements.

#### TRANSACTIONS ELIMINATED ON CONSOLIDATION

Transactions, balances, income and expenses incurred within the consolidated group are eliminated in full on consolidation.

#### NON-CONTROLLING INTEREST

Non-controlling interest in IBI Group is exchangeable into common shares of the Company. Changes in the equity of IBI Group and distributions to the non-controlling interest are recorded in non-controlling interest.

### (d) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its Canadian subsidiaries, including IBI Group, operate (the “functional currency”).

Each of the Company’s subsidiaries determines its functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency. The Company’s foreign operations are translated into its reporting currency (Canadian dollar) as follows: assets and liabilities are translated at the rate of exchange in effect at the date of the consolidated statement of financial position, and items of revenues and expenses are translated at the average rate of exchange for the period. The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in accumulated other comprehensive loss (“AOCL”).

Transactions in foreign currencies are translated to the functional currency of the respective entity at exchange rate in effect on the date of the transaction. Foreign exchange gains and losses on such transactions, as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the respective entity, are recorded in earnings. On disposal, or partial disposal, of a foreign entity, or repatriation of the net investment in a foreign entity, resulting in a loss of control, significant influence or joint control, the cumulative translation recognized in AOCL relating to that particular foreign entity is recognized in earnings as part of the gain or loss on sale. On a partial disposition of a subsidiary that does not result in a loss of control, the amounts are reallocated to the non-controlling interest in the foreign operation based on their proportionate share of the cumulative amounts recognized in AOCL. On partial disposition of jointly controlled foreign entities or associates, the proportionate share of translation differences previously recognized in AOCL are reclassified to earnings.

References to “\$” in these consolidated financial statements denote Canadian dollars and references to “U.S\$” are to U.S dollars.

All amounts presented in Canadian dollars have been rounded to the nearest thousand.

**(e) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

**RECOVERABILITY OF ACCOUNTS RECEIVABLE**

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

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 are as follows:

**REVENUE RECOGNITION**

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

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

#### ACCURACY OF WORK IN PROCESS AND DEFERRED REVENUE

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

#### ONEROUS LEASE PROVISIONS

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

#### DETERMINING PROBABLE FUTURE UTILIZATION OF TAX LOSS CARRYFORWARDS

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

#### REVALUATION OF DERIVATIVE LIABILITY

The Company has recognized a convertible debenture as a hybrid financial instrument which includes a derivative liability component. The derivative liability requires a remeasurement at each reporting period to its fair value. Factors and assumptions which affect the fair value remeasurement of the derivative include the bond market price, risk free interest rate, credit spread and IBI share price.

### **NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise indicated, the significant accounting policies followed by the Company set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### **(a) REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the cost approach. Stage of completion is measured by reference to professional costs incurred to date as a percentage of total professional costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Revenue from time-and-material contracts without stated ceilings and short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates recoverable under the contract for the services performed.

Provisions for estimated losses on contracts in-progress are made in the period in which the losses are determined. The effect of revisions to estimated revenues and costs is recorded when the amounts are

known or can be reasonably estimated. Where total contract costs exceed, or are expected to exceed, revenues, the anticipated loss based on a percentage of completion calculation is immediately recognized as an expense.

Accounts receivable is valued at amortized cost net of allowances for impairment losses (refer to note 3(i) for further discussion on financial instruments).

The Company's software license agreements are multiple-element arrangements as they may also include maintenance, professional services and hardware. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

### **(b) WORK IN PROCESS AND DEFERRED REVENUE**

Work in process represents the fee revenue and recoverable disbursements which have not been billed but are expected to be billed and collected from clients for contract work performed to date, and is valued at estimated net realizable value.

Billings in excess of time value incurred on jobs in progress, for which future services will be provided, are included in deferred revenue in the consolidated statement of financial position.

An allowance account is also maintained on work in process, measured by the estimated amount of professional costs that are expected not to be invoiced. When work in process is determined not recoverable, the amount is written off in the reserve for work in process.

### **(c) CASH**

Cash is comprised of cash on hand. Cash balances, which the Company has the ability and intent to offset, are used to reduce reported bank indebtedness and fund operations.

### **(d) PROPERTY AND EQUIPMENT**

Items of property and equipment are measured at cost less accumulated depreciation, net of accumulated impairment losses, and amortized over their estimated useful lives as follows:

<b>ASSET</b>	<b>BASIS</b>	<b>RATE</b>
Office furniture and equipment	Diminishing balance	20%
Computer equipment	Straight line	2 years
Vehicles	Diminishing balance	20%
Leasehold improvements	Straight line	Term of lease

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

The cost of repairs and maintenance of property and equipment are recognized as an expense as incurred.

**(e) INTANGIBLE ASSETS**

Intangible assets are initially recorded at fair value at their acquisition date and stated at cost less accumulated amortization and net impairment losses, where applicable. The cost of intangible assets with determinable lives is amortized over the period in which the benefits of such assets are expected to be realized as follows:

ASSET	BASIS	AMORTIZATION PERIOD
Customer relationships	Straight line	8-10 years
Contracts backlog	Straight line	1-2 years
Non-competition provisions	Straight line	3-4 years
ERP Systems	Straight line	10 years

**(f) IMPAIRMENT OF NON-FINANCIAL ASSETS**

The Company evaluates the recoverability of property and equipment and intangible assets with determinable lives for impairment at the end of each reporting period. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts.

The determination of recoverable amount is based on the higher of value in use or fair value less costs to sell.

For the purposes of assessing impairment where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is estimated. A CGU is the smallest identifiable group of assets for which there are separately identifiable cash inflows.

The carrying amount of a CGU includes the carrying amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis, and are expected to generate the future cash inflows.

An impairment loss is recognized in the consolidated statement of comprehensive income when a CGU's carrying amount exceeds its recoverable amount. The impairment loss is allocated on a pro rata basis to the assets in the CGU.

For property and equipment and intangible assets with determinable useful lives, an impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of amortization, had no impairment loss been recognized.

**(g) INCOME TAXES**

Income tax expense consists of current tax charge and the change in deferred tax assets and liabilities. Current tax and deferred tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination, or to items recognized directly in equity or other comprehensive loss.

Current tax represents the current tax payable (receivable) on the taxable income for the period, calculated in accordance with the rates and legislation of the respective tax jurisdiction in which the Company operated, enacted or substantively enacted as at the date of the consolidated statement of

financial position; it also reflects any adjustment resulting from new information to taxes payable (recoverable) in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of the expected income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities in the consolidated statement of financial position and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of comprehensive income in the period that includes the date of enactment or of substantive enactment of the future tax rates.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are evaluated at each reporting period and are reduced to the extent that it is no longer probable that future taxable profits will be available against which they can be utilized.

#### **(h) SHARE-BASED COMPENSATION**

##### *Cash settled transactions*

The Company has a share-based compensation plan ("Deferred Share Plan") which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as liabilities at 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 recorded as salaries, fees and employee benefit expenses until settled.

##### *Equity settled transactions*

###### Stock options

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. An option valuation model is used to fair value the stock options on the grant date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

###### Performance share units

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. A Monte Carlo valuation model is used to fair value the stock options on the grant date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The vesting and performance conditions are determined by the Board of Directors at the time of each grant.

**(i) FINANCIAL INSTRUMENTS**

All financial assets and financial liabilities are required to be classified into one of the following categories:

- Financial assets are classified as either FVTPL, available-for-sale, held-to-maturity investments or loans and receivables; and
- Financial liabilities are classified as either FVTPL or other liabilities.

All financial assets and liabilities are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at FVTPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The table below summarizes the classification and subsequent measurement of the Company's financial assets and liabilities:

<b>FINANCIAL INSTRUMENT</b>	<b>CLASSIFICATION</b>	<b>MEASUREMENT</b>
<b>FINANCIAL ASSETS</b>		
Cash	FVTPL	Fair value
Restricted cash	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Deferred share plan liability <sup>(1)</sup>	FVTPL	Fair value
Due to related parties	Other liabilities	Amortized cost
Finance lease obligation	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Convertible debentures – liability component	Other liabilities	Amortized cost
Other financial liability	FVTPL	Fair value

(1) The deferred share plan liability is grouped with accounts payable and accrued liabilities on the consolidated statement of financial position. See Note 16 – Deferred Share Plan, for further discussion.

**FINANCIAL ASSETS AT FVTPL**

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of comprehensive income in the period in which they arise.

**LOANS AND RECEIVABLES**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the consolidated statement of financial position. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method, net of allowance for impairment losses.



## IMPAIRMENT

The Company's policy is to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The Company maintains an allowance for impairment losses on accounts receivable. The estimate is based on the best assessment of the collectability of the related receivable balance, based in part, on the age of the outstanding receivables and in part on the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction is recognized in impairment of financial assets in the consolidated statement of comprehensive income.

Subsequent recoveries of the amounts previously written off are charged against the allowance account and recognized as income in the consolidated statement of comprehensive income.

## FINANCIAL LIABILITIES AND EQUITY

Debt and equity instruments are classified as either financial liabilities or as equity (in accordance with the substance of the contractual arrangement). An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded net of direct issue costs.

Debt securities issued and other liabilities are recognized at fair value on the date that they originated. Other financial liabilities are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Financial liabilities are classified as either financial liabilities at FVTPL or as other liabilities.

## FINANCIAL LIABILITIES AT FVTPL

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of comprehensive income in the period in which they arise.

## OTHER FINANCIAL LIABILITIES

Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are carried at amortized cost using the effective interest rate method.

## EFFECTIVE INTEREST METHOD

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial instrument on initial recognition.

## COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company consist of convertible debentures that can be converted into share capital at the option of the holder. The liability component of a compound financial instrument is measured initially at fair value, calculated as the net present value of the liability without a conversion option and using a discount rate reflective of a liability instrument without a conversion factor. The equity and derivative liability component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any

directly attributable transaction costs are allocated to the liability, derivative liability, and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The derivative liability component is remeasured subsequent to initial recognition at fair value. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon derecognition, the equity component of a compound financial instrument is reclassified to contributed surplus.

#### DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the assets. Any interest in transferred assets that are created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the underlying contractual obligation is legally discharged, cancelled or expires.

#### **(j) LEASES**

The substance of the transaction at inception of the lease determines whether the lease is classified as operating or finance. Any modification to the terms of a lease requires reassessment by the Company of the classification of the lease.

##### OPERATING LEASE

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease, net of any incentives received from the lessor, are recognized as rent in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

##### FINANCE LEASE

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets which meet the finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease and amortized over the term of the lease. Minimum lease payments are apportioned between the finance charge and the settlement of the obligation. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation.

#### **(k) PROVISIONS**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

## ONEROUS CONTRACTS

The Company's onerous contracts consist of lease exit liabilities. The Company accrues charges when it ceases to use office space under an operating lease arrangement. The provision is calculated as the present value of the remaining lease payments, less the recovery of the tenant improvement allowance and the present value of the expected future sublease income.

## NOTE 4: CHANGES IN ACCOUNTING POLICIES

### (a) ACCOUNTING POLICY CHANGES ADOPTED IN 2017

#### *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. With the exception of additional note disclosures made in Note 6, the adoption of these amendments did not have a material impact on the Company's financial statements.

#### *Amendments to IAS 12 Income Taxes*

In January 2016, the IASB issued Amendments to IAS 12 Income Taxes to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

The 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.

### (b) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED

#### *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– *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 will 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 second phase of the project plan involved review of 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. The third and final phase of the project plan involves finalizing the assessment and quantifying the impacts to revenue recognized on contracts in accordance with IFRS 15.

Management's assessment determined that the standardization of contracts in 2015 and the implementation of key system functionalities in 2016, streamlined the review of financial information for contracts entered into in 2015 and beyond. It was concluded that the revenue recognized on these contracts will not result in a significant change.

The guidance permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospectively with mixed requirements in the prior reporting period (partial retrospective). The Company plans to adopt the standard using the full retrospective method to restate each prior reporting period presented.

The extent of the impact of adoption of the standard on the amounts and timing of revenue recognized is estimated to be a decrease in the range of \$10 million - \$15 million. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

#### 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 will 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. Accounts Receivable and Work in Progress will be called Contract Assets under the new standard. Based on preliminary scoping, the Company expects the standard to have an immaterial impact on loss provisions against Accounts Receivable and Work in Progress.

#### 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 will 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 Company does not expect the Interpretation to have a material impact on the financial statements.

#### *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 will adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

*Annual Improvements to IFRS (2015-2017) Cycles*

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and

IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

**NOTE 5: 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 consolidated statement of financial position information line items segmented geographically as at December 31, 2017, with comparatives as at December 31, 2016:

	AS AT DECEMBER 31, 2017			
	CANADA	U.S.	INTERNATIONAL	TOTAL
Property and equipment	\$ 10,557	2,969	\$ 1,826	\$ 15,352
Intangible assets	5,285	1,901	453	7,639
Work in process, net	36,394	16,078	26,568	79,040
Deferred revenue	25,023	8,320	9,843	43,186
Total assets	123,529	56,606	76,181	256,316

	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, 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

The following table demonstrates certain information contained in the consolidated statement of comprehensive income segmented geographically for the year ended December 31, 2017, with comparatives for the year ended December 31, 2016. The unallocated amounts pertain to interest on convertible debentures.

	YEAR ENDED DECEMBER 31, 2017				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	\$ -	\$ 201,770	\$ 109,470	\$ 50,168	\$ 361,408
Net income (loss) before tax	\$ (10,776)	\$ 24,262	\$ 346	\$ 5,058	\$ 18,890
Foreign exchange (gain) loss	-	(1,646)	(410)	1,067	(989)
Net income (loss) before tax and foreign exchange	\$ (10,776)	\$ 22,616	\$ (64)	\$ 6,125	\$ 17,901

	YEAR ENDED DECEMBER 31, 2016				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	\$ -	\$ 186,377	\$ 118,271	\$ 49,492	\$ 354,140
Net income (loss) before tax	\$ (26,107)	\$ 14,361	\$ 8,792	\$ 3,955	\$ 1,001
Foreign exchange loss	-	6,630	75	658	7,363
Net income (loss) before tax and foreign exchange	\$ (26,107)	\$ 20,991	\$ 8,867	\$ 4,613	\$ 8,364

**NOTE 6: 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 December 31, 2017, the interest rate on Canadian dollar borrowings was 4.45% (December 31, 2016 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 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, \$1,381, 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.

As at December 31, 2017, IBI Group has borrowings of \$65,651 (December 31, 2016 - \$74,737) under the credit facilities, which has been recognized net of deferred financing costs of \$1,809 (December 31, 2016 - \$1,553). As at December 31, 2017, IBI Group has letters of credit outstanding of \$6,538 (December 31, 2016 - \$8,034), of which \$6,021 (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 December 31, 2017, \$65,651 (December 31, 2016 - \$32,117) was outstanding under Bankers’ Acceptance.

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 December 31, 2017.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, and reducing costs. 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>YEAR ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	73,184	72,277
Draws on credit facilities	-	81,117
Payments on principal of credit facilities	(8,210)	(82,380)
Deferred financing capitalization	(1,031)	-
Amortization of deferred financing costs	775	1,041
Impact of foreign exchange	(876)	1,129
<b>Balance at December 31</b>	<b>63,842</b>	<b>73,184</b>



**(b) CONVERTIBLE DEBENTURES**

The Company had the following series of convertible debentures outstanding as at December 31, 2017 and December 31, 2016.

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
<b>7.0% Debentures (matures on June 30, 2019)</b>				
Balance at January 1, 2016	29,618	1,750	-	31,368
Accretion of 7.0% Debentures	12,486	-	-	12,486
Redemption of 7.0% Debentures	(31,245)	(1,189)	-	(32,434)
Balance at January 1, 2017	10,859	561	-	11,420
Accretion of 7.0% Debentures	1,323	-	-	1,323
Balance at December 31, 2017	12,182	561	-	12,743
<b>5.5% Debentures (matures on December 31, 2021)</b>				
Balance at January 1, 2016	-	-	-	-
Issuance of 5.5% Debentures	32,498	-	10,908	43,406
Accretion of 5.5% Debentures	519	-	-	519
Gain in fair value of other financial liabilities	-	-	(1,819)	(1,819)
Balance at January 1, 2017	33,017	-	9,089	42,106
Accretion of 5.5% Debentures	1,958	-	-	1,958
Loss in fair value of other financial liabilities	-	-	3,922	3,922
Balance at December 31, 2017	34,975	-	13,011	47,986
<b>BALANCE, DECEMBER 31, 2017</b>	<b>\$ 47,157</b>	<b>\$ 561</b>	<b>\$ 13,011</b>	<b>\$ 60,729</b>

**7.0% DEBENTURES (\$46,000 PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED ON OCTOBER 31, 2016)**

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

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

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C ("IBG.DB"). The holders of \$29,988 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 during the year ended December 31, 2016. See Note 15 – Finance Costs for further detail regarding the accretion expense for the period. The Company recorded \$31,245 in common shares and reclassified the equity component of the portion redeemed of \$1,189 to contributed surplus.

The fair value of the remaining 7.0% Debentures under Option A is \$15,197 (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.

#### 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 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 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 December 31, 2017, the fair value of the derivative component was \$13,011 (December 31, 2016 - \$9,089).

The fair value of the convertible debentures as at December 31, 2017, based on a Level 1 quoted market price, is as follows:

	<b>Carrying Value</b>	<b>Fair Value</b>
5.5% Debentures	\$ 34,975	\$ 51,175
7.0% Debentures	12,182	15,198
<b>BALANCE, DECEMBER 31, 2017</b>	<b>\$ 47,157</b>	<b>\$ 66,373</b>

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

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

**(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 December 31, 2017 are as follows:

	<b>FINANCIAL ASSETS AND LIABILITIES AT FVTPL</b>		<b>LOANS AND RECEIVABLES</b>	<b>OTHER FINANCIAL LIABILITIES</b>	<b>TOTAL</b>
<b>FINANCIAL ASSETS</b>					
Cash	\$	9,833	\$	-	\$ 9,833
Restricted cash		2,936		-	2,936
Accounts receivable		-	111,219	-	111,219
<b>TOTAL</b>	<b>\$</b>	<b>12,769</b>	<b>\$</b>	<b>111,219</b>	<b>\$ 123,988</b>
<b>FINANCIAL LIABILITIES</b>					
Accounts payable and accrued liabilities	\$	-	\$	-	\$ 45,934
Deferred share plan liability <sup>(1)</sup>		2,848		-	2,848
Finance lease obligation		-		67	67
Credit facilities		-		63,842	63,842
Convertible debentures		-		47,157	47,157
Other Financial Liabilities		13,011		-	13,011
<b>TOTAL</b>	<b>\$</b>	<b>15,859</b>	<b>\$</b>	<b>-</b>	<b>\$ 157,000</b>

(1) The deferred share plan liability is grouped with accounts payable and accrued liabilities on the consolidated statement of financial position. See Note 16 – Deferred Share Plan, for further discussion.

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

	<b>FINANCIAL ASSETS AND LIABILITIES AT FVTPL</b>		<b>LOANS AND RECEIVABLES</b>	<b>OTHER FINANCIAL LIABILITIES</b>	<b>TOTAL</b>
<b>FINANCIAL ASSETS</b>					
Cash	\$	8,008	\$	-	\$ 8,008
Restricted cash		4,522		-	4,522
Accounts receivable		-	108,593	-	108,593
<b>TOTAL</b>	<b>\$</b>	<b>12,530</b>	<b>\$</b>	<b>108,593</b>	<b>\$ 121,123</b>
<b>FINANCIAL LIABILITIES</b>					
Accounts payable and accrued liabilities	\$	-	\$	-	\$ 53,145
Deferred share plan liability(1)		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
<b>TOTAL</b>	<b>\$</b>	<b>11,449</b>	<b>\$</b>	<b>-</b>	<b>\$ 170,309</b>

(1) The deferred share plan liability is grouped with accounts payable and accrued liabilities on the consolidated statement of financial position. See Note 16 – Deferred Share Plan, for further discussion.

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 December 31, 2017 and December 31, 2016:

	<b>AS AT DECEMBER 31, 2017</b>		
	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>
Cash	\$ 9,833	\$ -	\$ -
Restricted cash	2,936	-	-
Deferred share plan liability(1)	-	(2,848)	-
Other Financial Liabilities	-	(13,011)	-
	<b>\$ 12,769</b>	<b>\$ (15,859)</b>	<b>\$ -</b>
	<b>AS AT DECEMBER 31, 2016</b>		
	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>
Cash	\$ 8,008	\$ -	\$ -
Restricted cash	4,522	-	-
Deferred share plan liability(1)	-	(2,360)	-
Other Financial Liabilities	-	(9,089)	-
	<b>\$ 12,530</b>	<b>\$ (11,449)</b>	<b>\$ -</b>

**NOTE 7: PROPERTY AND EQUIPMENT**

The following table presents the Company's property and equipment as at December 31, 2017 and December 31, 2016:

		<b>OFFICE FURNITURE AND EQUIPMENT</b>	<b>COMPUTER EQUIPMENT</b>	<b>VEHICLES</b>	<b>LEASEHOLDS</b>	<b>TOTAL</b>
<b>COST</b>						
January 1, 2016	\$	11,872	\$ 18,046	\$ 421	\$ 13,155	\$ 43,494
Additions		2,059	1,465	36	3,166	6,726
Disposals		(1,069)	(247)	-	(197)	(1,513)
Write off of fully amortized assets		(32)	(188)	-	(216)	(436)
Foreign currency translation loss		(355)	(589)	(65)	(274)	(1,283)
December 31, 2016	\$	12,475	\$ 18,487	\$ 392	\$ 15,634	\$ 46,988
Additions		328	1,492	326	1,795	3,941
Disposals		(390)	(398)	(299)	(904)	(1,991)
Write off of fully amortized assets		(272)	(744)	-	(639)	(1,655)
Foreign currency translation gain / (loss)		(241)	(333)	7	(93)	(660)
<b>DECEMBER 31, 2017</b>	<b>\$</b>	<b>11,900</b>	<b>\$ 18,504</b>	<b>\$ 426</b>	<b>\$ 15,793</b>	<b>\$ 46,623</b>

		<b>OFFICE FURNITURE AND EQUIPMENT</b>	<b>COMPUTER EQUIPMENT</b>	<b>VEHICLES</b>	<b>LEASEHOLDS</b>	<b>TOTAL</b>
<b>ACCUMULATED DEPRECIATION</b>						
January 1, 2016	\$	6,856	\$ 14,914	\$ 170	\$ 6,631	\$ 28,571
Depreciation from continuing operations		1,211	1,962	72	1,078	4,323
Disposals		(130)	(54)	-	(132)	(316)
Write off of fully amortized		(32)	(188)	-	(216)	(436)
Foreign currency translation (gain)		(290)	(449)	(27)	(160)	(926)
December 31, 2016	\$	7,615	\$ 16,185	\$ 215	\$ 7,201	\$ 31,216
Depreciation from continuing operations		552	1,510	61	1,106	3,229
Disposals		(336)	(203)	(40)	(476)	(1,055)
Write off of fully		(272)	(744)	-	(639)	(1,655)
Foreign currency translation loss / (gain)		(117)	(299)	2	(50)	(464)
DECEMBER 31, 2017	\$	7,442	\$ 16,449	\$ 238	\$ 7,142	\$ 31,271
<b>NET CARRYING AMOUNT</b>						
DECEMBER 31, 2016	\$	4,860	\$ 2,302	\$ 177	\$ 8,433	\$ 15,772
DECEMBER 31, 2017	\$	4,458	\$ 2,055	\$ 188	\$ 8,651	\$ 15,352

Loss on disposal of property and equipment of \$936 as at December 31, 2017 (December 31, 2016 - \$1,197) is reflected in other operating expenses on the Statement of Comprehensive Income.

**NOTE 8: INTANGIBLE ASSETS**

The following table presents the Company's intangible assets as at December 31, 2017 and December 31, 2016:

	ERP SYSTEM	CLIENT RELATIONSHIPS	OTHER	TOTAL
<b>COST</b>				
Balance at January 1, 2016	\$ 2,765	\$ 5,368	\$ 831	\$ 8,964
Additions	1,757	-	313	2,070
Foreign exchange translation gain	-	(332)	(26)	(358)
December 31, 2016	\$ 4,522	\$ 5,036	\$ 1,118	\$ 10,676
Additions	1,010	-	316	1,326
Foreign exchange translation loss	-	(250)	-	(250)
<b>DECEMBER 31, 2017</b>	<b>\$ 5,532</b>	<b>\$ 4,786</b>	<b>\$ 1,434</b>	<b>\$ 11,752</b>
<b>ACCUMULATED AMORTIZATION</b>				
Balance at January 1, 2016	\$ -	\$ 1,416	\$ 657	\$ 2,073
Amortization	227	600	175	1,002
Foreign exchange translation gain	-	(53)	(18)	(71)
December 31, 2016	\$ 227	\$ 1,963	\$ 814	\$ 3,004
Amortization	604	582	45	1,231
Foreign exchange translation gain	-	(122)	-	(122)
<b>DECEMBER 31, 2017</b>	<b>\$ 831</b>	<b>\$ 2,423</b>	<b>\$ 859</b>	<b>\$ 4,113</b>
<b>NET CARRYING AMOUNT</b>				
DECEMBER 31, 2016	\$ 4,295	\$ 3,073	\$ 304	\$ 7,672
DECEMBER 31, 2017	\$ 4,701	\$ 2,363	\$ 575	\$ 7,639



**NOTE 9: INCOME TAXES**

The major components of income tax expense include the following:

	<b>YEAR ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CURRENT TAX EXPENSE</b>		
Current period	\$ 1,672	\$ 2,904
Provision to file / withholding taxes	291	4
	<u>1,963</u>	<u>2,908</u>
<b>DEFERRED TAX EXPENSE / (RECOVERY)</b>		
Origination and reversal of temporary differences	5,078	(3,037)
Impact of US Tax Reform	1,430	-
Change in tax rates	(215)	64
Adjustment for prior periods	(655)	(54)
Change in unrecognized deductible temporary differences	(83)	(2,374)
	<u>5,555</u>	<u>(5,401)</u>
<b>TOTAL TAX EXPENSE / (RECOVERY)</b>	<u>\$ 7,518</u>	<u>\$ (2,493)</u>

The provision for income taxes in the consolidated statement of comprehensive income (loss) represents an effective tax rate different than the Canadian enacted or substantively enacted statutory rate of approximately 26.5% (December 31, 2015 – 26.5%). The differences are as follows:

	YEAR ENDED	
	DECEMBER 31,	
	2017	2016
Net income	\$ 11,372	\$ 3,494
Total tax expense / (recovery)	7,518	(2,493)
<b>Net income before tax</b>	<b>\$ 18,890</b>	<b>\$ 1,001</b>
Income tax using the Company's domestic tax rate	\$ 5,006	\$ 265
Income tax effect of:		
Non-deductible expenses	2,450	1,113
Change in deferred tax rates	(215)	64
Impact of US tax reform	1,430	-
Operating in jurisdictions with different tax rates	267	1,082
Change in unrecognized temporary differences	(83)	(2,374)
Prior period adjustments to current tax	(5)	(14)
Prior period adjustments to deferred tax	(655)	(54)
Withholding taxes	285	139
Recognition of previously unrecognized deferred tax asset	(867)	(2,972)
Other	(95)	258
<b>INCOME TAX EXPENSE / (RECOVERY)</b>	<b>\$ 7,518</b>	<b>\$ (2,493)</b>

The applicable tax rate is the aggregate of the Canadian Federal income tax rate of 15% (2015 – 15%) and the Provincial income tax rate of 11.5% (2015 – 11.5%).

The increase in the effective tax rate was primarily a result of non-deductible expenses arising from an increase of \$1,040 due to accounting loss on revaluation of a financial instrument, and an increase of \$410 due to accretion expense and a decrease of \$867 due to the U.S operations recognizing previously unrecognized deferred tax assets. In addition, the US tax reform also had an impact of \$1,430 as deferred tax assets set up on December 31, 2016 were revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

#### UNRECOGNIZED DEFERRED TAX LIABILITIES

As at December 31, 2017, the Company has approximately \$17,736 (December 31, 2016 - \$16,089) of temporary differences associated with its investments in foreign subsidiaries for which no deferred taxes have been provided on the basis that the company is able to control the timing of the reversal of such temporary differences and that such reversal is not probable in the foreseeable future.

## UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following gross temporary differences:

	YEAR ENDED DECEMBER 31,	
	2017	2016
Deductible temporary differences	\$ 6,983	\$ 6,658
Tax losses – Federal	2,746	3,293
Tax losses – State	34,520	35,707
	<b>\$ 44,249</b>	<b>\$ 45,658</b>

The tax effected amount of unrecognized gross temporary differences is as follows:

	YEAR ENDED DECEMBER 31,	
	2017	2016
Deductible temporary differences	\$ 1,572	\$ 2,525
Tax losses – Federal	590	1,107
Tax losses – State	1,955	1,571
	<b>\$ 4,117</b>	<b>\$ 5,203</b>

Deferred tax assets are recognized for operating loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2017, the Company's affiliated entities have \$30,369 of Federal and \$34,520 of U.S State operating loss carry forwards (December 31, 2016 - \$45,292 and \$35,707 respectively) available for income tax purposes, which expire in the years 2022 through 2036. The ability of the Company to realize the tax benefits of the loss carry forwards is contingent on many factors, including the ability to generate future taxable profits in the jurisdictions in which the tax losses arose.

The Company regularly assesses the status of open tax examinations and its historical tax filing positions for the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. The Company believes that it has adequately provided for any tax adjustments that are more likely than not to occur as a result of ongoing tax examinations or historical filing positions.

The tax effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases that give rise to significant portions of the deferred tax assets at December 31, 2017 and December 31, 2016 are presented below:

## RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	YEAR ENDED DECEMBER 31, 2017		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	\$ 1,071	\$ (866)	\$ 205
Non-capital loss	6,211	-	6,211
Reserves	667	(3,448)	(2,781)
Financing costs	259	-	259
Intangible assets	2,902	(141)	2,761
Other	57	(70)	(13)
	<u>\$ 11,167</u>	<u>\$ (4,525)</u>	<u>\$ 6,642</u>

  

	YEAR ENDED DECEMBER 31, 2016		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	\$ 1,128	\$ (552)	\$ 576
Non-capital loss	11,156	-	11,156
Reserves	556	(3,518)	(2,962)
Financing costs	302	-	302
Intangible assets	3,209	(94)	3,115
Other	70	(12)	58
	<u>\$ 16,421</u>	<u>\$ (4,176)</u>	<u>\$ 12,245</u>

**NOTE 10: 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 year ended December 31, 2017 was \$12,726 (2016 - \$15,486). As at December 31, 2017, there were 60 partners (December 31, 2016 – 64 partners).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at December 31, 2017 and 2016, the amount of distributions payable to the Management Partnership were nil.

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

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company's key management personnel are comprised of members of the executive team, to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company. The Company also provides compensation to the members of the Board of Directors.

	YEAR ENDED DECEMBER 31,	
	2017	2016
Directors fees, salaries and other short-term employee benefits	\$ 3,692	\$ 3,076
Share-based compensation	1,178	840
<b>Total compensation</b>	<b>\$ 4,870</b>	<b>\$ 3,916</b>

**NOTE 11: EQUITY****(a) SHAREHOLDERS' EQUITY**

The Company is authorized to issue an unlimited number of common shares. As at December 31, 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 subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 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 consolidated financial statements as at December 31, 2017 and 2016.

## SHARE ISSUANCES

2017

- During the year ended December 31, 2017, the Company issued 3,334 common shares as a result of an exercise of stock options granted in January 2016.

2016

- During the year ended December 31, 2016, the Company issued 6,220,076 common shares upon redemption of 7.0% Debentures Options B and C valued at \$31,245.

## EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

	YEAR ENDED DECEMBER 31,	
	2017	2016
Net income	\$ 11,372	\$ 3,494
Net income attributable to owners of the Company	\$ 9,465	\$ 2,814
Weighted average common shares outstanding	31,190	26,020
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	385	193
Diluted weighted average common shares outstanding	37,857	32,495
Basic and diluted earnings per common share	\$ 0.30	\$ 0.11

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.

**(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 consolidated statement of changes in equity.

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

	YEAR ENDED DECEMBER 31,	
	2017	2016
Net income	\$ 11,372	\$ 3,494
Non-controlling interest share of ownership <sup>(1)</sup>	16.77%	19.45%
Net income attributable to non-controlling interest	\$ 1,907	\$ 680

(1) For the purposes of allocating net income and total comprehensive income to non-controlling interest, the average share of non-controlling interest for the year ended December 31, 2017 was used.

	YEAR ENDED	
	DECEMBER 31,	
	2017	2016
Total comprehensive income	\$ 7,854	\$ 3,389
Non-controlling interest share of ownership <sup>(1)</sup>	16.77%	19.45%
Total comprehensive income attributable to non-controlling interest	\$ 1,317	\$ 659

(1) For the purposes of allocating net income and total comprehensive income to non-controlling interest, the average share of non-controlling interest for the year ended December 31, 2017 was used.

## NOTE 12: 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 consolidated statement of 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 December 31, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2017 would have decreased or increased by approximately \$241.

#### 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 during the year ended and as at December 31, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by \$179 for the year ended December 31, 2017. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2017, with all other variables held constant, net income would have increased or decreased by \$41 for the year ended December 31, 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 December 31, 2017, there were 62 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 consolidated 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 consolidated 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	
	DECEMBER 31, 2017	DECEMBER 31, 2016
Current	\$ 42,780	\$ 46,057
30 to 90 days	38,405	29,315
Over 90 days	39,316	43,097
Gross accounts receivable	120,501	118,469
Allowance for impairment losses	(9,282)	(9,876)
<b>TOTAL</b>	<b>\$ 111,219</b>	<b>\$ 108,593</b>

**(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 6 – 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 6 – Financial Instruments).

As at December 31, 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 \$2,936 (December 31, 2016 – CAD \$3,141). The Company has



pledged U.S \$2,300 (December 31, 2016 - \$2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

The Company has the following contractual obligations as at December 31, 2017:

	YEARS ENDED DECEMBER 31 2017				
	CARRYING AMOUNT	2018	2019 AND 2020	2021 AND 2022	2023 AND BEYOND
Accounts payable and accrued liabilities	\$ 48,783	\$ 48,783	\$ -	\$ -	-
Credit facilities	63,842	-	-	65,651	-
Interest on credit facilities	-	3,085	6,169	1,542	-
Convertible debentures	47,157	-	14,755	46,000	-
Interest on convertible debentures	-	3,563	5,576	2,530	-
Finance lease obligation	67	36	31	-	-
<b>Total obligations</b>	<b>\$ 159,849</b>	<b>\$ 55,467</b>	<b>\$ 26,531</b>	<b>\$ 115,723</b>	<b>-</b>

#### (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<sup>1</sup> threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with all financial covenants as at December 31, 2017.

#### (e) FAIR VALUE MEASUREMENTS

The fair values of cash, restricted cash, 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 Company's credit facilities (net of deferred financing costs) approximate carrying value due to the variable rate of interest of the debt.

<sup>1</sup> 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.

IFRS 7 *Financial Instruments – Disclosures*, requires disclosure of all financial instruments at fair value other than short term and carried at amortized cost, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

- Level 1 – inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2017 and December 31, 2016.

### NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	YEAR ENDED	
	DECEMBER 31,	
	2017	2016
Accounts receivable	\$ (5,966)	\$ (1,825)
Work in process	6,672	(9,457)
Prepaid expenses and other assets	(3,041)	(1,610)
Accounts payable and accrued liabilities	(5,125)	2,383
Deferred revenue	(5,866)	13,036
Net income taxes payable	(1,821)	1,637
<b>Change in non-cash operating working capital</b>	<b>\$ (15,147)</b>	<b>\$ 4,164</b>

### NOTE 14: COMMITMENTS

Non-cancellable operating leases where the Company is the lessee are payable as set out below. These amounts represent the minimum annual future lease payments (excluding common area maintenance costs and property taxes), in aggregate, that the Company is required to make under existing operating lease agreements.

2018	\$ 23,820
2019	\$ 33,370
2020	\$ 15,146
2021	\$ 14,521
2022	\$ 13,084
Thereafter	\$ 41,276

The Company leases certain property and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period at the option of the Company.

The rent expense recognized in the consolidated statement of comprehensive income:

	YEAR ENDED DECEMBER 31,	
	2017	2016
Lease expense	\$ 25,809	\$ 25,148
Onerous lease provision	1,991	(951)
Sublease income	(2,098)	(1,457)
<b>Total rent expense</b>	<b>\$ 25,702</b>	<b>\$ 22,740</b>

#### NOTE 15: FINANCE COSTS

	YEAR ENDED DECEMBER 31,	
	2017	2016
Interest on credit facilities	\$ 3,149	\$ 3,057
Interest on convertible debentures	3,563	5,872
Interest on consent fee notes payable	-	255
Non-cash accretion of convertible debentures	3,281	15,403
Non-cash accretion of consent fee notes payable	-	479
Other	333	487
<b>INTEREST EXPENSE</b>	<b>\$ 10,326</b>	<b>\$ 25,553</b>
Amortization of deferred financing costs	775	1,041
Other	691	601
<b>OTHER FINANCE COSTS</b>	<b>\$ 1,466</b>	<b>\$ 1,642</b>
<b>FINANCE COSTS</b>	<b>\$ 11,792</b>	<b>\$ 27,195</b>

#### NOTE 16: DEFERRED SHARE PLAN

The Company offers a deferred share plan (“DSP”) for independent members of the Board of Directors (“Board”). Under the DSP, directors of the Company may elect to allocate all or a portion of their annual compensation in the form of deferred shares rather than cash. These shares are fully vested upon issuance and are recorded as a financial liability at FVTPL in the consolidated statement of financial position amounting to \$2,848. Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2017, the Company granted 70,278 deferred shares (December 31, 2016 – 73,764) and redeemed 123,641 deferred shares (December 31, 2016 – nil), for a total of 349,403 deferred shares outstanding as at December 31, 2017 (December 31, 2016 – 402,766). Compensation expense for the year ended December 31, 2017 related to the deferred shares was \$1,333 (December 31, 2016 – \$1,633). There is no unrecognized compensation expense related to deferred shares, since these awards vest immediately when granted.

The table below shows the DSP transactions for the year ended December 31, 2017:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2017	402,766	\$ 2,360
Deferred shares issued	70,278	505
Deferred shares redeemed	(123,641)	(846)
Change in fair value due to share price	-	828
<b>BALANCE, DECEMBER 31, 2017</b>	<b>349,403</b>	<b>2,847</b>

The table below shows the DSP transactions for the year ended December 31, 2016:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2016	329,002	\$ 727
Deferred shares issued	73,764	384
Change in fair value due to share price	-	1,249
<b>BALANCE, DECEMBER 31, 2016</b>	<b>402,766</b>	<b>\$ 2,360</b>

## NOTE 17: 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 consolidated 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 consolidated financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

**NOTE 18: 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 consolidated statement of income and comprehensive income. During the year ended December 31, 2017 an expense of \$505 was recognized (December 31, 2016 - \$384) 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.

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
<b>January 15, 2016</b>								
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%
	<b>535,000</b>							
<b>May 25, 2016</b>								
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%
	<b>99,213</b>							
<b>May 12, 2017</b>								
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%
	<b>69,107</b>							
<b>July 17, 2017</b>								
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%
	<b>316,500</b>							
<b>August 9, 2017</b>								
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%
	<b>77,315</b>							

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 year ended December 31, 2017, the Company has recognized an expense of \$810 (December 31, 2016 – \$453) in salaries, fees and employee benefits for stock options in the consolidated statement of income and comprehensive income.

The following stock option arrangements were in existence as at December 31, 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	15,000	516,666	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	15,000	1,078,801	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 \$103 for the year ended December 31, 2017 (December 31, 2016 - \$nil), in salaries, fees and employee benefits for PSUs in the consolidated statement of income and comprehensive income.

#### **NOTE 19: INVESTMENT IN EQUITY ACCOUNTED INVESTEE**

On October 2, 2014, the Company's interest in China decreased from 100% to 51% by way of a sale of the China operations. Although the Company retained 51% interest in China, the Company has determined that it does not have control of this entity and thus it is being accounted for as an equity investment subsequent to the sale.

For the year ended December 31, 2017, the Company made an additional cash investment in China of \$348 (December 31, 2016 - \$Nil), and has recognized its share of the losses on the investment of \$348 (December 31, 2016 - \$32).