IBI Group 2018 Fourth-Quarter Management Discussion and Analysis

THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2018

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED *DECEMBER 31, 2018*

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The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three months and year ended December 31, 2018 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2018, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2018 will be available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 43 of this MD&A.

FORWARD-LOOKING STATEMENTS

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

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Common Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2018. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be

materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of March 6, 2019.

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

COMPANY PROFILE

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

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

- Intelligence
- Buildings
- Infrastructure

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

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

OUTLOOK

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

Management is forecasting approximately $374 million in total net revenue for the year ended December 31, 2019. The Company currently has $384.9 million of work that is committed and under contract for the five years. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in future periods. The Company has approximately 12 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 31, 2018).

The Company bases its view of industry performance on:

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

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

Ongoing efforts to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process continue to be an area of focus as the Company continues to seek out opportunities to enhance profitability.

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2018 *(unaudited)*	2017 *(unaudited)*	2018	2017
Number of working days	**63**	62	**252**	252
Gross revenue	**$ 115,878**	$ 112,431	**$ 454,614**	$ 462,045
Less: Subconsultants and direct costs	**23,491**	25,545	**86,314**	100,637
Net revenue	**$ 92,387**	$ 86,886	**$ 368,300**	$ 361,408
Net income (loss)	**$ 3,685**	$ (2,891)	**$ 20,491**	$ 11,372
Cash flows provided by operating activities	**$ 1,335**	$ 2,802	**$ 12,613**	$ 15,139
Basic earnings (loss) per share	**$ 0.10**	$ (0.08)	**$ 0.55**	$ 0.30
Diluted earnings (loss) per share	**$ 0.10**	$ (0.08)	**$ 0.54**	$ 0.30
Adjusted EBITDA[1]	**$ 8,162**	$ 7,643	**$ 36,538**	$ 40,615
Adjusted EBITDA[1] as a percentage of net revenue	**8.8%**	8.8%	**9.9%**	11.2%

OVERVIEW

KEY EVENTS

- Net revenue increased to $92.4 million for the three months ended December 31, 2018 compared to $86.9 million for the same period in 2017, which reflects an increase of $5.5 million or 6.3%. Net revenue increased to $368.3 million for the year ended December 31, 2018 compared to $361.4 million for the same period in 2017, which reflects an increase of $6.9 million or 1.9%.
- Adjusted EBITDA[1] increased to $8.2 million (or 8.8% of revenue) for the three months ended December 31, 2018 compared to $7.6 million (or 8.8% of revenue) for the same period in 2017, which reflects an increase of $0.6 million or 7.9%. Adjusted EBITDA[1] decreased to $36.5 million (or 9.9% of revenue) for the year ended December 31, 2018 compared to $40.6 million (or 11.2% of revenue) for the same period in 2017, which reflects a decrease of $4.1 million or 10.1%.
- Cash flows provided by operating activities decreased to $1.3 million for the three months ended December 31, 2018 compared to $2.8 million for the same period in 2017, which reflects a decrease of $1.5 million. Cash flows provided by operating activities decreased to $12.6 million for

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

the year ended December 31, 2018 compared to $15.1 million for the same period in 2017, which reflects a decrease of $2.5 million.

- During the three months ended December 31, 2018, adjusted EBITDA[1] was impacted by the increase in cash outflows related to the onerous lease of $0.6 million, compared to the same period in 2017. During the year ended December 31, 2018, adjusted EBITDA[1] was impacted by the increase in cash outflows related to the onerous lease of $3.4 million, compared to the same period of 2017. This is a result of the Company finalizing a new sub-lease agreement for one of its office spaces in 2017, at which point, an increase in rent expense was recognized as part of net earnings, but not included in adjusted EBITDA in 2017. The cash outflows related to the onerous lease have the opposite effect, with no impact to net earnings but a reduction to adjusted EBITDA for the three months and year ended December 31, 2018.
- On September 27, 2018, the Company redeemed the remaining balance of the 7% Convertible Debentures under Option A for $14.8 million cash, financed from the credit facilities.
- On September 27, 2018, the Company entered into an amended agreement on its Credit Facilities with its Lenders to extend the maturity date, increase the maximum available amount on the swing line facility and improve on interest rate margins.
- During the year, the Company introduced the pivot to become a technology driven service provider. As part of the firm's technology-driven future, the Company launched three products: *InForm by IBI Group*, an asset management product suite designed to help clients manage assets, *BlueIQ*, a real-time energy management solution for urban water distribution and *Smart City Platform*, a technology framework allowing cities to connect their own existing systems with the Company's onboard tools and insight-driven data analytics. The Company also purchased GreenOwl Mobile, which specializes in the design of mobile and IoT product experiences for both public and private sectors.
- During the year, the Company has been committed to improving the performance of its U.S operations, by restructuring its operations and identifying cost efficiencies. As a result, adjusted EBITDA within the U.S operating segment increased quarter over quarter. The following table demonstrates the adjusted EBITDA for the US Operating segment over five previous quarters:

(in thousands of Canadian dollars) *(unaudited)*	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**
U.S Operations Adjusted EBITDA	$ 2,004	$ 270	$ (1,984)	$ (929)	$ (1,938)

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended December 31, 2018 was $92.4 million, compared with $86.9 million in the same period in 2017, an increase of 6.3%. The increase is a result of stronger operating performance in the Canadian sector in the period. Net revenue for the year ended December 31, 2018 was $368.3 million, compared with $361.4 million for the same period in 2017, an increase of 1.9%.The increase is due to stronger operating performance in the Canadian sector in the period, offset by the performance in the U.S sector for the same period.

For the three months ended December 31, 2018, the Company had net income of $3.7 million, compared to a net loss of $2.9 million in the same period in 2017. Net income for the three months ended

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

December 31, 2018 is inclusive of a pre-tax gain in fair value of other financial liabilities of $0.9 million, compared to a loss of $2.0 million in the same period in 2017 as a result in changing market conditions. Net income for the three months ended December 31, 2018 is also inclusive of a loss in foreign exchange of $0.6 million, compared with $0.3 million for the same period in 2017 as a result of the movement in the market value of the Canadian Dollar.

For the year ended December 31, 2018, the Company had net income of $20.5 million, compared to $11.4 million in the same period in 2017. Net income for the year ended December 31, 2018 is inclusive of a pre-tax gain in fair value of other financial liabilities of $9.0 million, compared to a pre-tax loss of $3.9 million in the same period in 2017 as a result in changing market conditions. Net income for the year ended December 31, 2018 is also inclusive of a loss in foreign exchange of $3.2 million, compared to a gain of $1.0 million for the same period in 2017 as a result of the movement in the market value of the Canadian Dollar.

Basic and diluted earnings per share is $0.10 for the three months ended December 31, 2018, compared to a per share loss of $0.08 for the same period in 2017. Basic and diluted earnings per share increased primarily due to an increase in net income of $6.6 million offset slightly due to an increase in the weighted average number of common shares outstanding, 31,220,877 as at December 31, 2018 compared to 31,190,153 for the same period in 2017. The increase in common shares outstanding is a result of the exercise of deferred share units and stock options.

Basic and diluted earnings per share is $0.55 and $0.54 for the year ended December 31, 2018 respectively compared to $0.30 per share for the same period in 2017. Basic and diluted earnings per share increased primarily due to an increase in net income of $9.1 million offset slightly due to an increase in the weighted average number of common shares outstanding, 31,220,877 as at December 31, 2018 compared to 31,190,153 for the same period in 2017. The increase in common shares outstanding is a result of the exercise of deferred share units and stock options.

RESULTS OF OPERATIONS

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

(thousands of Canadian dollars, except per share amounts)		THREE MONTHS ENDED DECEMBER 31, 2018 (unaudited)		THREE MONTHS ENDED DECEMBER 31, 2017 (unaudited)		YEAR ENDED DECEMBER 31, 2018		YEAR ENDED DECEMBER 31, 2017
Revenue								
Gross Revenue	$	115,878	$	112,431	$	454,614	$	462,045
Less: Subconsultants and direct costs		23,491		25,545		86,314		100,637
NET REVENUE	$	92,387	$	86,886	$	368,300	$	361,408
Expenses								
Salaries, fees and employee benefits		67,016		63,903		263,095		255,915
Rent		5,093		8,550		21,620		25,702
Other operating expenses		10,560		9,873		41,739		39,688
Foreign exchange loss		616		256		3,190		(989)
Amortization of intangible assets		418		333		1,474		1,231
Depreciation of property and equipment		1,335		164		4,536		3,229
Loss (gain) in fair value of other financial liabilities		(917)		1,953		(9,017)		3,922
Impairment of financial assets		794		148		1,397		1,680
		84,915		85,180		328,034		330,378
OPERATING INCOME	$	7,472	$	1,706	$	40,266	$	31,030
Interest expense, net		2,149		2,602		10,939		10,326
Other finance costs		240		259		1,133		1,466
FINANCE COSTS	$	2,389	$	2,861	$	12,072	$	11,792
Share of loss of equity accounted investee, net of tax		-		-		-		348
NET INCOME BEFORE TAX	$	5,083	$	(1,155)	$	28,194	$	18,890
Current tax expense		(508)		959		1,581		1,963
Deferred tax expense		1,906		777		6,122		5,555
INCOME TAX EXPENSE	$	1,398	$	1,736	$	7,703	$	7,518
NET INCOME (LOSS)	$	3,685	$	(2,891)	$	20,491	$	11,372
OTHER COMPREHENSIVE INCOME								
Items that are or may be reclassified to profit or loss								
Gain on translating financial statements of foreign operations, net of tax		4,699		1,051		6,287		(3,518)
OTHER COMPREHENSIVE INCOME (LOSS)		4,699		1,051		6,287		(3,518)
TOTAL COMPREHENSIVE INCOME (LOSS)	$	8,384	$	(1,840)	$	26,778	$	7,854
NET INCOME ATTRIBUTABLE TO:								
Common shareholders		3,069		(2,407)		17,059		9,465
Non-controlling interests		616		(484)		3,432		1,907
NET INCOME (LOSS)	$	3,685	$	(2,891)	$	20,491	$	11,372
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Common shareholders		6,980		(1,532)		22,293		6,537
Non-controlling interests		1,404		(308)		4,485		1,317
TOTAL COMPREHENSIVE INCOME (LOSS)	$	8,384	$	(1,840)	$	26,778	$	7,854
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS								
Basic earnings (loss) per share	$	0.10	$	(0.08)	$	0.55	$	0.30
Diluted earnings (loss) per share	$	0.10	$	(0.08)	$	0.54	$	0.30

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company presents revenue on a gross basis as it represents the contract values earned during the period.

Net revenue for the three months ended December 31, 2018 increased by $5.5 million or 6.3% compared to the same period in 2017. The increase is due to improved operating performance in the Canadian and U.S sectors in the period, offset by a decrease in performance in the U.K and International sectors in the same period.

Net revenue for the year ended December 31, 2018 increased by $6.9 million or 1.9% compared to the same period in 2017. The increase is due to stronger operating performance in the Canadian, U.K and International sectors in the period, offset by a decrease in performance in the U.S sector for the same period.

The following table provides quarterly historical financial working days for the Company for each of the eight most recently completed quarters:

(unaudited)	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017
Number of working days	63	63	64	62	62	64	63	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2018 was $67.0 million compared to $63.9 million in the same period in 2017. As a percentage of revenues, salaries, fees and employee benefits for the three months ended December 31, 2018 was 72.5% compared to 73.5% for the same period in 2017 which is consistent with the budgeted compensation target of 70% of revenue.

Salaries, fees, and employee benefits for the year ended December 31, 2018 was $263.1 million compared to $255.9 million in the same period in 2017. As a percentage of revenues, salaries, fees and employee benefits for the year ended December 31, 2018 was 71.4% compared to 70.8% for the same period in 2017 which is consistent with the budgeted compensation target of 70% of revenue.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2018 was an increase in expense of $1.1 million compared to the same period in 2017, and for the year ended December 31, 2018 was an increase in expense of $0.2 million compared to the same period in 2017.

iii) RENT

Rent for the three months ended December 31, 2018 was $5.1 million compared to $8.6 million in the same period in 2017. Rent for the year ended December 31, 2018 was $21.6 million compared to $25.7 million in the same period in 2017. At the end of 2017, the Company completed a new sub-lease agreement as a new tenant was identified for the onerous lease. The term of the sub-lease agreement included a rent free period for fixturing which resulted in an increase to rent expense in 2017.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2018 was $10.6 million compared to $9.9 million in the same period in 2017. As a percentage of revenues, operating expenses for the three months ended December 31, 2018 were 11.4% compared to 11.4% for the same period in 2017.

Other operating expenses for the year ended December 31, 2018 was $41.7 million compared with $39.7 million in the same period in 2017. As a percentage of revenues, operating expenses for the year ended December 31, 2018 were 11.3% compared to 11.0% for the same period in 2017.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2018 was a reduction in expense of $0.9 million compared with the same period in 2017, and for the year ended December 31, 2018 was a reduction in expense of $1.1 million compared with the same period in 2017.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended December 31, 2018 was $0.6 million compared to a loss of $0.3 million in the same period in 2017. Foreign exchange loss for the year ended December 31, 2018 was $3.2 million compared to a gain of $1.0 million for the same period in 2017. The foreign exchange loss during the three months and year ended December 31, 2018 reflects the negative trend in the Canadian dollar currency, as the Canadian dollar weakened against the U.S. dollar compared to the same period in 2017.

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

During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

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

vi) LOSS & GAIN IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

Gain in fair value of other financial liabilities for the three months ended December 31, 2018 was $0.9 million compared to a loss of $2.0 million for the same period in 2017. The gain in fair value of other financial liabilities for the year ended December 31, 2018 was $9.0 million compared to a loss of $3.9 million for the same period in 2017. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. The movement in fair value is impacted by several factors, which include IBI's share price, the Canadian risk free rate, and IBI's credit risk.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended December 31, 2018 was $0.4 million compared to $0.3 million for the same period in 2017. Amortization of intangible assets for the year ended December 31, 2018 was $1.5 million compared to $1.2 million for the same period in 2017.

viii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended December 31, 2018 was $1.3 million compared to $0.2 million for the same period in 2017. Amortization of property and equipment for the year ended December 31, 2018 was $4.5 million compared to $3.2 million for the same period in 2017.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2018 was $0.8 million compared to $0.1 million for the same period in 2017. Impairment of financial assets for the year ended December 31, 2018 was $1.4 million compared to $1.7 million for the same period in 2017.

x) INTEREST EXPENSE

Interest expense for the three months ended December 31, 2018 was $2.1 million compared to $2.6 million for the same period in 2017. The interest expense decreased due to the redemption of the 7% Convertible Debentures under Option A in September 2018.

Interest expense for the year ended December 31, 2018 was $10.9 million compared to $10.3 million for the same period in 2017. The interest expense increased due to the acceleration of accretion expense of $1.5 million because of the redemption of the 7% Convertible Debentures, offset by decreases related to the reduction in the average amount outstanding on the Credit Facility and Convertible Debentures.

xi) OTHER FINANCE COSTS

Other finance costs were $0.2 million for the three months ended December 31, 2018 compared to $0.3 million for the same period in 2017. Other finance costs for the year ended December 31, 2018 were $1.1 million compared to $1.5 million for the same period in 2017.

xii) INCOME TAXES

Income taxes for the three months ended December 31, 2018 was $1.4 million with an effective tax rate of 27.5% compared to $1.7 million with an effective income tax rate of 150% for the same period in 2017. The

decrease in the effective income tax rate was primarily due to the impacts of U.S tax reform in 2017 and the non-taxable reduction in financial liabilities in 2018.

Income taxes for the year ended December 31, 2018 was $7.7 million with an effective tax rate of 27.3% compared to $7.5 million with an effective rate of 39.8% for the same period in 2017. The decrease in the effective income tax rate was primarily due to the impacts of U.S tax reform in 2017 and the non-taxable reduction in financial liabilities in 2018.

xiii) NET INCOME

Net income for the three months ended December 31, 2018 was $3.7 million compared to loss of $2.9 million for the same period in 2017. Net income for the year ended December 31, 2018 was $20.5 million compared to $11.4 million for the same period in 2017. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months ended December 31, 2018 has increased by $0.5 million compared to the same period in 2017 (see table for adjusted EBITDA for the previous eight quarters in this MD&A), and for the year ended December 31, 2018 has decreased by $4.1 million compared to the same period in 2017.

Following is a summary of finance costs for the year ended December 31, 2018 and 2017:

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Interest on credit facilities	$ 2,785	$ 3,149
Interest on convertible debentures	3,295	3,563
Non-cash accretion of convertible debentures	4,811	3,281
Other	48	333
INTEREST EXPENSE	$ 10,939	$ 10,326
Amortization of deferred financing costs	512	775
Other	621	691
OTHER FINANCE COSTS	$ 1,133	$ 1,466
FINANCE COSTS	$ 12,072	$ 11,792

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

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months and year ended December 31, 2018 and 2017:

(in thousands of Canadian dollars) *(unaudited)*	**THREE MONTHS ENDED DECEMBER 31,**			**FOREIGN EXCHANGE**	**OPERATING**
	2018	**2017**	**CHANGE**	**IMPACT**	**CHANGE**
Gross revenue	115,878	112,431	3,447	1,947	1,500
Less: Subconsultants and direct costs	23,491	25,545	(2,054)	(558)	(1,496)
Net revenue	92,387	86,886	5,501	2,505	2,996
Total operating expenses, net of foreign exchange gain & loss	84,299	84,924	(625)	1,380	(2,005)

(in thousands of Canadian dollars) *(unaudited)*	**YEAR ENDED DECEMBER 31,**			**FOREIGN EXCHANGE**	**OPERATING**
	2018	**2017**	**CHANGE**	**IMPACT**	**CHANGE**
Gross revenue	454,614	462,045	(7,431)	372	(7,803)
Less: Subconsultants and direct costs	86,314	100,637	(14,323)	(176)	(14,147)
Net revenue	368,300	361,408	6,892	548	6,344
Total operating expenses, net of foreign exchange gain & loss	324,844	331,367	(6,523)	141	(6,664)

SELECTED ANNUAL INFORMATION

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

	YEAR ENDED		
	DECEMBER 31, 2018	DECEMBER 31, 2017	DECEMBER 31, 2016
(in thousands of Canadian dollars, except per share amounts)			*(restated)* [1]
Gross Revenue	$ 454,614	$ 462,045	$ 390,404
Less: Subconsultants and direct costs	$ 86,314	$ 100,637	$ 51,975
Net Revenue	$ 368,300	$ 361,408	$ 338,429
NET INCOME	$ 20,491	$ 11,372	$ (9,028)
Basic earnings (loss) per share	$ 0.55	$ 0.30	$ (0.28)
Diluted earnings (loss) per share	$ 0.54	$ 0.30	$ (0.28)

	DECEMBER 31, 2018	DECEMBER 31, 2017	DECEMBER 31, 2016
(in thousands of Canadian dollars)		*(restated)* [1]	*(restated)* [1]
TOTAL ASSETS	$ 248,166	$ 241,012	$ 246,506
Onerous lease provisions	$ 312	$ 1,082	$ 2,270
Finance lease obligation	$ -	$ 31	$ 67
Credit facilities	$ 75,548	$ 63,842	$ 73,184
Convertible debentures	$ 37,213	$ 47,157	$ 43,876
Other financial liabilities	$ 3,994	$ 13,011	$ 9,089
Deferred tax liabilities	$ 5,496	$ 3,901	$ 3,552
TOTAL LONG-TERM LIABILITIES	$ 122,563	$ 129,024	$ 132,038

ADJUSTED EBITDA[2]

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

[1] See *"Changes in Accounting Policies"*

ADJUSTED EBITDA[1] FOR THE PREVIOUS EIGHT QUARTERS

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

(in thousands of Canadian dollars except for per share amounts) (unaudited)	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**	**MARCH 31, 2017**
Gross revenue	115,878	112,467	114,940	111,329	112,431	114,285	117,741	117,588
Less: Subconsultants and direct costs	23,491	20,448	21,861	20,514	25,545	24,457	24,413	26,222
Net revenue	92,387	92,019	93,079	90,815	86,886	89,828	93,328	91,366
Net Income (Loss)	3,685	8,021	1,229	7,556	(2,891)	5,495	4,850	3,918
Add:								
Interest expense, net	2,149	3,971	2,348	2,471	2,602	2,505	2,538	2,681
Current and deferred tax expense (recovery)	1,398	1,717	2,224	2,364	1,736	1,986	2,046	1,750
Amortization and Depreciation	1,753	1,516	1,425	1,316	497	1,394	1,285	1,284
	5,300	7,204	5,997	6,151	4,835	5,885	5,869	5,715
EBITDA	**8,985**	**15,225**	**7,226**	**13,707**	**1,944**	**11,380**	**10,719**	**9,633**
EBITDA as a percentage of revenue	**9.7%**	**16.5%**	**7.8%**	**15.1%**	**2.2%**	**12.7%**	**11.5%**	**10.5%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	615	591	1,433	551	256	(2,269)	1,120	(96)
Loss (gain) in fair value of other financial liabilities	(917)	(4,661)	628	(4,067)	1,953	1,527	174	268
Change in fair value of deferred share units	(82)	(832)	(70)	(249)	252	252	27	298
Payment of deferred share units	-	-	-	-	-	-	(846)	-
Stock based compensation	252	277	373	320	344	282	115	65
Performance share units	68	31	35	13	26	77	-	-
Deferred financing charges	108	133	133	138	144	116	259	256
Change in onerous lease provision	(867)	(611)	(678)	(1,270)	2,724	(303)	(166)	(264)
Share of loss of equity accounted investee, net of tax	-	-	-	-	-	-	348	-
	(823)	(5,072)	1,854	(4,564)	5,699	(318)	1,032	527
Adjusted EBITDA[1]	**8,162**	**10,153**	**9,080**	**9,143**	**7,643**	**11,062**	**11,750**	**10,160**
Adjusted EBITDA[1] as a percentage of revenue	**8.8%**	**11.0%**	**9.8%**	**10.1%**	**8.8%**	**12.3%**	**12.6%**	**11.1%**
Earnings per share attributed to common shareholders	0.10	0.22	0.03	0.20	(0.08)	0.15	0.13	0.10
Earnings per share attributed to common shareholders	**0.10**	**0.21**	**0.03**	**0.20**	**(0.08)**	**0.15**	**0.13**	**0.10**
Weighted average share outstanding	31,220,877	31,220,877	31,220,877	31,209,776	31,189,736	31,190,153	31,190,153	31,188,486

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

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacation during the summer. Chargeable hours are also impacted by the number of working days in the quarter (See historical working days table in the Description of Variances in Operating Results section of this MD&A).

In addition, net revenue is impacted by the movement in foreign exchange rates. The following table provides the impacted foreign exchange on net revenue when compared to the same period in the previous year for the eight most recently completed quarters:

(in thousands of Canadian dollars) (unaudited)	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**	**MARCH 31, 2017**
Gain (loss) of foreign exchange on gross revenue	1,947	446	(1,292)	(729)	(2,507)	(306)	(1,253)	(656)
Loss (gain) of foreign exchange on sub-consultants and direct costs	(558)	(60)	271	171	(694)	142	(181)	(135)
Gain (loss) of foreign exchange on net revenue	2,505	506	(1,563)	(900)	(1,813)	(448)	(1,072)	(521)

ii) NET INCOME (LOSS)

Net loss in the fourth quarter of 2017 was negatively impacted by an increase in rent expense of $3.0 million as a result of the renegotiation of a sublease agreement during the period.

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value in other financial liabilities. The impact of these gains (losses) are noted in the adjusted EBITDA[1] table.

iii) ADJUSTED EBITDA[1]

Adjusted EBITDA[1] was $8.2 million for the three months ended December 31, 2018 compared to $7.6 million for the same period in 2017. Adjusted EBITDA[1] was $36.5 million for the year ended December 31, 2018 compared to $40.6 million for the same period in 2017. Refer to the adjusted EBITDA[1] table above for the changes in the factors which affect the balance period over period.

During the 2018 period, the reduction to adjusted EBITDA[1] related to the onerous lease provision increased by $3.4 million respectively, due to an increase in cash outflows as a result of the renegotiation of the sublease related to the onerous lease at the end of 2017. The Company recognized an increase in rent expense as part of net earnings in 2017 at the time of the sub-lease renegotiation and subsequent onerous lease provision revaluation, but had no impact on adjusted EBITDA[1] in the same period in 2017. The cash outflows in the year ended December 31, 2018 related to the onerous lease have the opposite effect, with no impact to net earnings but a reduction to adjusted EBITDA[1].

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

SEGMENTED ADJUSTED EBITDA[1]

The following tables provide financial data for the three months and year ended December 31, 2018 and 2017 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International. This information should be read in conjunction with the applicable audited annual consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	THREE MONTHS ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross revenues	$ 59,907	$ 35,932	$ 8,541	$ 11,498	$ -	$ 115,878
Less: sub-consultants and direct expenses	7,528	9,840	1,432	4,691	-	23,491
Net revenue	$ 52,379	$ 26,092	$ 7,109	$ 6,807	$ -	$ 92,387
Adjusted EBITDA[1]	$ 3,696	$ 2,004	$ 605	$ 1,857	$ -	$ 8,162
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	26	1	-	3	2,119	2,149
Amortization and depreciation	1,060	415	188	90	-	1,753
Foreign exchange (gain) loss	(841)	566	42	848	-	615
Gain in fair value of other financial liabilities	-	-	-	-	(917)	(917)
Change in fair value of deferred share units	-	-	-	-	(82)	(82)
Stock based compensation	215	21	3	13	-	252
Performance share units	68	-	-	-	-	68
Deferred financing charges	-	-	-	-	108	108
Change in onerous lease provision	(867)	-	-	-	-	(867)
Net income (loss) before tax	$ 4,035	$ 1,001	$ 372	$ 903	$ (1,228)	$ 5,083

	YEAR ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[2]	TOTAL
Gross revenues	$ 244,826	$ 136,785	$ 33,355	$ 39,648	$ -	$ 454,614
Less: sub-consultants and direct expenses	30,520	35,455	5,254	15,085	-	86,314
Net revenue	$ 214,306	$ 101,330	$ 28,101	$ 24,563	$ -	$ 368,300
Adjusted EBITDA[1]	$ 29,317	$ (639)	$ 1,031	$ 6,829	$ -	$ 36,538
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	(34)	4	32	128	10,809	10,939
Amortization and depreciation	3,280	1,665	862	203	-	6,010
Foreign exchange (gain) loss	(75)	821	112	2,332	-	3,190
Gain in fair value of other financial liabilities	-	-	-	-	(9,017)	(9,017)
Change in fair value of deferred share units	-	-	-	-	(1,233)	(1,233)
Stock based compensation	1,089	78	10	45	-	1,222
Performance share units	147	-	-	-	-	147
Deferred financing charges	-	-	-	-	512	512
Change in onerous lease provision	(3,426)	-	-	-	-	(3,426)
Net income (loss) before tax	$ 28,336	$ (3,207)	$ 15	$ 4,121	$ (1,071)	$ 28,194

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

[2] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

	THREE MONTHS ENDED DECEMBER 31, 2017					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 55,984	$ 35,023	$ 8,326	$ 13,098	$ -	$ 112,431
Less: sub-consultants and direct expenses	7,765	11,476	942	5,362	-	25,545
Net revenue	$ 48,219	$ 23,547	$ 7,384	$ 7,736	$ -	$ 86,886
Adjusted EBITDA[2]	$ 5,329	$ (1,938)	$ 768	$ 3,484	$ -	$ 7,643
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	18	1	12	150	2,421	2,602
Amortization and depreciation	(109)	373	210	23	-	497
Foreign exchange (gain) loss	(3)	52	50	157	-	256
Gain in fair value of other financial liabilities	-	-	-	-	1,953	1,953
Change in fair value of deferred share units	-	-	-	-	252	252
Stock based compensation	300	30	3	11	-	344
Performance share units	26	-	-	-	-	26
Deferred financing charges	-	-	-	-	144	144
Change in onerous lease provision	2,724	-	-	-	-	2,724
Share of loss of equity accounted investee, net of tax	-	-	-	-	-	-
Net income (loss) before tax	$ 2,373	$ (2,394)	$ 493	$ 3,143	$ (4,770)	$ (1,155)

	YEAR ENDED DECEMBER 31, 2017					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 233,595	$ 149,753	$ 32,345	$ 46,352	$ -	$ 462,045
Less: sub-consultants and direct expenses	31,825	40,283	4,479	24,050	-	100,637
Net revenue	$ 201,770	$ 109,470	$ 27,866	$ 22,302	$ -	$ 361,408
Adjusted EBITDA[2]	$ 30,775	$ 1,696	$ 1,173	$ 6,971	$ -	$ 40,615
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	(859)	10	49	1,126	10,000	10,326
Amortization and depreciation	1,972	1,680	734	74	-	4,460
Foreign exchange (gain) loss	(1,646)	(410)	132	935	-	(989)
Gain in fair value of other financial liabilities	-	-	-	-	3,922	3,922
Change in fair value of deferred share units	-	-	-	-	829	829
Payment of DSP	-	-	-	-	(846)	(846)
Stock based compensation	700	70	8	28	-	806
Performance share units	103	-	-	-	-	103
Deferred financing charges	-	-	-	-	775	775
Change in onerous lease provision	1,991	-	-	-	-	1,991
Share of loss of equity accounted investee, net of tax	-	-	-	-	348	348
Net income (loss) before tax	$ 28,514	$ 346	$ 250	$ 4,808	$ (15,028)	$ 18,890

[1] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

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

Adjusted EBITDA[1] in the United States operating region for the three months ended December 31, 2018 was $2.0 million compared to $0.3 million for the three months ended September 30, 2018 and an Adjusted EBITDA[1] loss of $2.0 million and $0.9 million for the three months ended June 30, 2018 and the three months ended March 31, 2018 respectively. The improvement to Adjusted EBITDA[1] for the three months ended December 31, 2018 and September 30, 2018 is a result of cost saving initiatives, as well as an increase in backlog in the region.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	**DECEMBER 31, 2018**	DECEMBER 31, 2017 *(restated)*	**CHANGE**
Current assets	**$ 208,324**	$ 200,411	$ 7,913
Current liabilities	**(83,605)**	(97,687)	14,082
WORKING CAPITAL	**124,719**	102,724	21,995

Current assets increased by $7.9 million as at December 31, 2018 when compared with December 31, 2017. This was due to an increase of $7.6 million in accounts receivable, an increase of $3.7 million in contract assets, offset by a decrease of $0.4 million in cash, a decrease of $1.2 million in prepaid expenses and other assets, and a decrease of $1.8 million in income taxes recoverable. The Company has invested significant resources towards transit related and other P3 projects. In accordance with the original project plans, $28.7 million of working capital has been built up as at December 31, 2018, and is expected to be collected in the normal course of operations.

There was an increase in current assets due to foreign exchange as at December 31, 2018 of $5.3 million.

Current liabilities decreased by $14.1 million as at December 31, 2018 when compared with December 31, 2017. This was due to a decrease of $9.2 million in accounts payable and accrued liabilities, a decrease of $2.8 million in contract liabilities, a decrease of $2.6 million in the current portion of the onerous lease provision, offset by an increase of $0.5 million in income taxes payable. Contract liabilities decreased as a result of the Company recognizing revenue from activity on certain projects and the completion of projects ahead of original budgets during the year. The decrease in accounts payable is due to the Company reducing the payment cycle to vendors. The decrease in the onerous lease provision is a result of the cash paid in the period as a result of the renegotiation of the sublease agreement with a new tenant 2017.

There was an increase in current liabilities due to foreign exchange as at December 31, 2018 of $3.2 million.

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

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings

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

for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	***DECEMBER 31, 2018***	***SEPTEMBER 30, 2018***	***JUNE 30, 2018***	***MARCH 31, 2018***	***DECEMBER 31, 2017*** *(restated)*
Accounts receivable	*59*	*56*	*57*	*52*	*58*
Contract assets	*35*	*38*	*38*	*39*	*35*
Contract liabilities	*(21)*	*(21)*	*(22)*	*(22)*	*(24)*
	73	*73*	*73*	*69*	*69*

The days sales outstanding as at December 31, 2018 has increased by 4 days compared to December 31, 2017. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the days outstanding in contract assets and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2018***	***SEPTEMBER 30, 2018*** *(unaudited)*	***JUNE 30, 2018*** *(unaudited)*	***MARCH 31, 2018*** *(unaudited)*	***DECEMBER 31, 2017*** *(restated)*
Accounts receivable	*114.8*	*107.9*	*108.3*	*95.7*	*107.2*
Contract assets	*68.3*	*72.7*	*72.5*	*71.3*	*64.6*
Contract liabilities	*(40.4)*	*(41.2)*	*(42.3)*	*(40.7)*	*(43.2)*
	142.7	*139.4*	*138.5*	*126.3*	*128.6*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***DECEMBER 31, 2018***	***%***	***SEPTEMBER 30, 2018*** *(unaudited)*	***%***	***JUNE 30, 2018*** *(unaudited)*	***%***	***MARCH 31, 2018*** *(unaudited)*	***%***	***DECEMBER 31, 2017*** *(restated)*	***%***
Current	40,327	35	45,720	42	48,212	44	35,099	37	42,780	40
30 to 90 days	40,451	35	30,221	28	27,869	26	28,049	29	38,405	36
Over 90 days	34,018	30	31,988	30	32,227	30	32,504	34	26,044	24
TOTAL	114,796	100	107,929	100	108,308	100	95,652	100	107,229	100

Accounts receivable has increased by $7.6 million since December 31, 2017. There was an increase in accounts receivable due to foreign exchange as at December 31, 2018 of $2.9 million compared to a

decrease due to foreign exchange of $1.7 million as at December 31, 2017. The Company is focused on ensuring that the overall days sales outstanding maintain stability period over period to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Contract Assets

Contract assets increased by $3.7 million since December 31, 2017. There was an increase of $1.8 million in contract assets due to foreign exchange as at December 31, 2018 compared to a decrease due to foreign exchange of $1.3 million as at December 31, 2017. The Company is focused on ensuring that the overall days outstanding maintain stability period over period to minimize the risk to the working capital of the firm. The Company monitors contract assets to ensure that any balances outstanding are billed within a timely manner.

iii) Contract Liabilities

Contract liabilities has decreased by $2.8 million since December 31, 2017. There was an increase in deferred revenue due to foreign exchange as at December 31, 2018 of $1.4 million compared to a decrease due to foreign exchange of $1.5 million as at December 31, 2017. This decrease from December 31, 2017 is a result of the Company recognizing revenue from activity on certain projects and the completion of projects ahead of original budgets during the year. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

CASH FLOWS

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

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31,**		
(unaudited)	**2018**	2017	***CHANGE***
Cash flows provided by operating activities	**1,335**	2,802	(1,467)
Cash flows provided by (used in) financing activities	***(275)***	*(4,548)*	*4,273*
Cash flows used in investing activities	***(1,965)***	*(1,916)*	*(49)*

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31,**		
	2018	2017	***CHANGE***
Cash flows provided by operating activities	**12,613**	15,139	(2,526)
Cash flows used in financing activities	***(4,676)***	*(9,270)*	*4,594*
Cash flows used in investing activities	***(8,391)***	*(4,234)*	*(4,157)*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended December 31, 2018 were $1.3 million, a decrease of $1.5 million compared to cash flows provided by operating activities of $2.8 million for the same period in 2017. The decrease in operating cash flows is mainly attributable to a decrease in

non-cash operating working capital of $11.0 million, offset by an increase in net income net of items not affecting cash of $2.5 million, a decrease in net taxes paid of $6.5 million, and a decrease in net interest paid of $0.5 million.

Cash flows provided by operating activities for the year ended December 31, 2018 were $12.6 million, a decrease of $2.5 million compared to cash flows provided by operating activities of $15.1 million for the same period in 2017. The decrease in operating cash flows is mainly attributable to a decrease in net income net of items not affecting cash of $3.7 million, a decrease in non-cash operating working capital of $4.6 million, offset by a decrease in net interest paid of $0.9 million, and a decrease in income taxes paid of $4.9 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2018 were $0.3 million, a decrease of $4.2 million compared to cash flows used in financing activities of $4.5 million for the same period in 2017. The decrease in cash flows used in financing activities is mainly attributable to a decrease in net payments made on the credit facilities of $4.1 million and a decrease in payments for deferred financing costs of $0.1 million.

Cash flows used in financing activities for the year ended December 31, 2018 were $4.7 million, a decrease of $4.6 million compared with cash flows used in financing activities of $9.3 million for the same period in 2017. The decrease in cash flows used in financing activities is mainly attributable to an increase of cash withdrawals on the credit facility of $18.6 million, a decrease in payments for deferred financing costs of $0.7 million, offset by the redemption of the 7% Convertible Debentures Class A Shares of $14.8 million.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2018 were $2.0 million, an increase of $0.1 million compared to cash flows used in investing activities of $1.9 million for the same period in 2017. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment of $0.5 million, offset by a decrease in capital expenditure of intangible assets of $0.1 million.

Cash flows used in investing activities for the year ended December 31, 2018 were $8.4 million, an increase of $4.2 million compared to cash flows used in investing activities $4.2 million for the same period in 2017. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment and intangible assets of $3.0 million and $0.1 million respectively, offset by a reduction in investment in equity-accounted investees of $0.3 million. Cash flows used in investing activities for the year ended December 31, 2017 were also inclusive of $3.6 million provided from restricted cash, offset by $2.2 million in contributions to restricted cash, as a result of the amendment of the credit facility as at June 30, 2017 which no longer required the need for the sinking fund which then released the balance of cash from restricted to operating cash flows.

CREDIT FACILITY

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 million revolver facility. On September 27, 2018, IBI Group entered into an amended agreement which increased the maximum available swing line under the revolver facility from $10 million to $20 million, the maturity date was also

extended from June 30, 2021 to September 27, 2022. As at December 31, 2018, the interest rate on Canadian dollar borrowings was 4.95% (December 31, 2017 – 4.45%) and 7.50% on U.S dollar borrowings (December 31, 2017 – 5.75%).

The definitions under the new facility are substantially the same. The financial covenants outlined in the new facility are substantially the same except for the references to the 7% Convertible Debentures which has now been redeemed.

New facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R ≤ 1.00:1	0%	+1.45%	+0.29%
II	1.00:1 < R ≤ 1.50:1	+0.75%	+1.70%	+0.34%
III	1.50:1 < R ≤ 2.00:1	+1.00%	+2.00%	+0.45%
IV	2.00:1 < R ≤ 2.50:1	+1.25%	+2.25%	+0.50625%
V	R > 2.50:1	+1.50%	+2.50%	+0.5625%

Previous facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R < 1.00:1	0%	+1.50%	+0.30%
II	1.00:1 < R < 1.50:1	+1.00%	+2.00%	+0.40%
III	1.50:1 < R < 2.00:1	+1.25%	+2.25%	+0.50625%
IV	2.00:1 < R < 2.50:1	+1.50%	+2.50%	+0.5625%
V	R > 2.50:1	+1.75%	+2.75%	+0.61875%

As at December 31, 2018, IBI Group has borrowings of $77.2 million (December 31, 2017 - $65.7 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.6 million (December 31, 2017 - $1.8 million). As at December 31, 2018, IBI Group has letters of credit outstanding of $4.7 million (December 31, 2017 - $6.5 million), of which $4.4 million (December 31, 2017 - $6.0 million) is issued under a $30 million facility which matures on June 30, 2020 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, 2018, $74.8 million was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt (December 31, 2017 - $65.7 million).

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, 2018.

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

SECURITY INTEREST OF SENIOR LENDERS

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

CONVERTIBLE DEBENTURES

The Company has two series of convertible debentures outstanding as at December 31, 2018. The carrying value of the convertible debentures as at December 31, 2018 is as follows:

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures (redeemed on September 27, 2018)				
Balance at January 1, 2018	$ 12,182	561	-	12,743
Accretion of 7.0% Debentures	2,573	-	-	2,573
Redemption of 7.0% Debentures	(14,755)	(561)	-	(15,316)
Balance at December 31, 2018	-	-	-	-
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2018	34,975	-	13,011	47,986
Accretion of 5.5% Debentures	2,238	-	-	2,238
Gain in fair value of other financial liabilities	-	-	(9,017)	(9,017)
Balance at December 31, 2018	37,213	-	3,994	41,207
BALANCE, DECEMBER 31, 2018	$ 37,213	$ -	$ 3,994	$ 41,207

7.0% DEBENTURES ($46.0 million PRINCIPAL, OPTION A REDEEMED ON SEPTEMBER 30, 2018 AND OPTIONS B AND C REDEEMED DECEMBER 31, 2016)

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

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

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C (“IBG.DB”). The holders of $30.0 million principal of the 7.0% Debentures had exercised the $5 share conversion option and received 5,997,600 shares. For the balance of $1.3 million principal of the 7.0% Debentures, the Company issued 222,476 shares. The financial liability being redeemed under Options B and C were accreted to the full principal value, resulting in total accretion expense of $12.5 million being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016.

On September 27, 2018, the Company financed the redemption of the 7.0% Debentures under Option A for $14.8 million cash from the credit facilities, plus paid accrued and unpaid interest up to but excluding the redemption date. The 7.0% Debentures under Option A were accreted to principal at the redemption date, resulting in $2.6 million of accretion expense being recognized in the consolidated statement of comprehensive income during the period ending September 30, 2018. The equity component of $0.6 was reclassified to contributed surplus upon redemption.

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

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

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

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

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of $10.9 million at the date of issuance, and recorded as part of Other financial liabilities in the consolidated 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, 2018, the fair value of the derivative component was $4.0 million (December 31, 2017 - $13.0 million).

FINANCIAL RISK MANAGEMENT

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

MARKET RISK

INTEREST RATE RISK

The Company's credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar or 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, 2018, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2018 would have decreased or increased by approximately $0.3 million.

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower as at December 31, 2018, with all other variables held constant, total comprehensive income would have increased or decreased by $0.2 million for the year ended December 31, 2018. If the exchange rates had been 100 basis points higher or lower as at December 31, 2018, with all other variables held constant, net income would have increased or decreased by a $nil value for the year ended December 31, 2018.

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, 2018 there were 63 working days of revenue in accounts receivable, compared to 58 days at December 31, 2017. 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.

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 September 27, 2018, IBI Group signed an amendment to refinance its credit facilities with its senior lenders. (refer to Note 5 – Financial Instruments).

As at December 31, 2018, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2.3 million, which is equal to CAD $3.2 million (December 31, 2017 – CAD $2.9 million). The Company has pledged U.S $2.3 million (December 31, 2017 – U.S $2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at December 31, 2018, the Company has letters of credit outstanding to foreign institutions of $0.3 million (December 31, 2017 - $0.5 million).

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of December 31, 2018:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars) *(unaudited)*	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 39.6	$ 39.6	$ -	$ -	$ -
Credit facilities[1]	76.4	-	-	76.4	-
Interest on credit facilities[1,2]	15.5	4.1	8.3	3.1	-
Convertible debentures	46.0	-	46.0	-	-
Interest on convertible debentures[3]	7.6	2.5	5.1	-	-
Operating leases	117.2	20.3	36.1	27.9	32.9
TOTAL CONTRACTUAL OBLIGATIONS	$ 302.3	$ 66.5	$ 95.5	$ 107.4	$ 32.9

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

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

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

CAPITAL MANAGEMENT

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

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

FUTURE CASH GENERATION

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

1. ABILITY TO GENERATE SUFFICIENT CASH

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

2. **CIRCUMSTANCES THAT COULD AFFECT FUNDING**

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

3. **WORKING CAPITAL REQUIREMENTS**

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

4. **SITUATIONS INVOLVING EXTENDED PAYMENT**

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

5. **CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS**

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

6. **SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS**

   The Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. **CREDIT FACILITY**

   On September 27, 2018, IBI Group entered into an amended agreement to its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. **CONVERTIBLE DEBENTURES**

   As outlined above, the Company has one series of debentures that provide a basis of capital which requires repayment or refinancing on December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 6, 2019, the Company's common share capital consisted of 31,220,877 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 2018 the units issued on such exchange would have represented a 16.75% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at December 31, 2018.

SHARE ISSUANCES

During the year ended December 31, 2018, the Company issued 1,666 common shares as a result of exercises of stock options granted in January 2016.

During the year ended December 31, 2018, the Company issued 29,058 common shares as a result of an exercise of deferred share units by a member of the Board of Directors upon departure from the board.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the year ended December 31, 2018, the Company incurred a $6.3 million gain related to the translation of financial statements of foreign operations, of which 83.25% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. As at December 31, 2018, 49 of IBI Group's 66 total partners were associated with the Management Partnership (December 31, 2017 – 60 of 80). The amount paid for such services during the year ended December 31, 2018 was $15.7 million (year ended December 31, 2017 - $16.8 million). As at December 31, 2018, the amount payable to the Management Partnership were $0.2 million (December 31, 2017 - $nil).

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

ACCOUNTING DEVELOPMENTS

FUTURE ACCOUNTING POLICY CHANGES

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), replacing IAS 17 *Leases* ("IAS 17"), and related interpretations. The new standard is effective for the Company on January 1, 2019.

The new standard requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Lessor accounting remains similar to IAS 17. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition.

The Company will use the modified retrospective method upon transition with no restatement of comparative financial information. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount discounted using the Company's incremental borrowing rate at January 1, 2019. The Company will apply the following transitional practical expedients:

- Not recognize leases of low dollar value assets and leases with remaining term ending within 12 months at January 1, 2019.
- Apply any provision for onerous contracts previously recognized to the associated ROU asset recognized upon transition to IFRS 16. In these cases, no impairment assessment will be made under IAS 36 *Impairment of Assets.*

As an intermediate lessor, the Company reassessed the classification of its subleases by reference to the right-of-use assets for the head lease and will recognize a finance lease receivable.

The preliminary estimate includes recognizing a right-of-use asset of approximately $70,000 to $80,000, finance lease receivable of approximately $15,000 to $20,000, and lease liabilities of approximately $85,000 to $100,000. Amortization expense will increase due to the amortization of the right-of-use asset and interest expense will increase due to the imputed interest on the lease liability.

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 (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.

Amendments to References to the Conceptual Framework in IFRS Standards

On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to *References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to previous version of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The extent of the impact of the change has not yet been determined.

Definition of a business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The extent of the impact of the change has not yet been determined.

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for the annual periods beginning on or after January 1, 2020. The extent of the impact of the change has not yet been determined.

CHANGES IN ACCOUNTING POLICIES

IFRS 15 REVENUE FROM CUSTOMER CONTRACTS

IFRS 15 REVENUE RECOGNITION POLICY

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue from all types of service contracts (fixed-fee; variable-fee and time-and-material) using the five step model framework:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations of the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has adopted IFRS 15 as at January 1, 2018 using the full retrospective method to restate the prior reporting period presented as at January 1, 2017. The effect of initially applying these standards will result in deferral of revenue recognition due to the following:

- New definition of contract under IFRS 15
- Assessment of probability of approval of contract modifications

The extent of the impact of adoption of the standard on the amounts and timing of revenue recognized was refined from the amount previously reported to a pre-tax increase of $18.5 million to deficit as at January 1, 2017.

The following table summarizes the impact of transition to IFRS 15 on the Company's consolidated statement of financial position as at January 1, 2017 and December 31, 2017. There was no material impact on the Company's consolidated statement of income and comprehensive income or consolidated statement of cash flows.

As at January 1, 2017	**Impact of changes in accounting policy**		
(thousands of Canadian dollars)	**As previously reported**	**Adjustment**	**As restated**
Assets			
Accounts receivable	108,593	(3,990)	104,603
Contract assets	87,052	(14,461)	72,591
Deferred income tax asset	16,421	3,147	19,568
Total assets	**261,810**	**(15,304)**	**246,506**
Liabilities			
Contract liabilities	50,522	-	50,522
Income tax payable	1,860	-	1,860
Deferred income tax liability	4,176	(624)	3,552
Total liabilities	241,604	(624)	240,980
Equity			
Deficit	(269,351)	(14,680)	(284,031)
Total shareholders' equity	20,206	(14,680)	5,526
Total liabilities and equity	**261,810**	**(15,304)**	**246,506**

As at December 31, 2017	**Impact of changes in accounting policy**		
(thousands of Canadian dollars)	**As previously reported**	**Adjustment**	**As restated**
Assets			
Accounts receivable	111,219	(3,990)	107,229
Contract assets	79,040	(14,461)	64,579
Deferred income tax asset	11,167	3,147	14,314
Total assets	**256,316**	**(15,304)**	**241,012**
Liabilities			
Contract liabilities	43,186	-	43,186
Income tax payable	1,486	-	1,486
Deferred income tax liability	4,525	(624)	3,901
Total liabilities	227,335	(624)	226,711
Equity			
Deficit	(259,886)	(14,680)	(274,566)
Total shareholders' equity	28,981	(14,680)	14,301
Total liabilities and equity	**256,316**	**(15,304)**	**241,012**

CHANGES IN ESTIMATES AND JUDGEMENTS

The details of the new significant accounting policies and nature of the changes to previous accounting policies in relation to the Company's services are set out below.

REVENUE RECOGNITION

The Company enters into contracts with clients to provide professional services in three main areas intelligence, buildings and infrastructure. The professional services range from planning, design, implementation, analysis of operations and other consulting services as required by the customer.

The Company has determined that the customer controls contract assets as the deliverables are being created and they lack an alternative use to the Company. The Company's standard contracting template entitles the Company to an enforceable right to reimbursement of costs incurred to the cancellation date including a reasonable profit margin. Revenue from these contracts are recognized over-time as services are rendered with invoices being issued based on the billing terms of the contract. Uninvoiced amounts are recognized as contract assets.

Certain contracts will include multiple deliverables and can span more than one fiscal period. Management applies judgement when assessing whether certain deliverables in a customer arrangement should be included or excluded as a separate performance obligation, and the allocation of transaction price to each identified performance obligation.

The Company recognizes revenue on performance obligations satisfied over time with reference to professional costs incurred to date as percentage of total professional costs for each performance obligation. 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. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and contract assets.

The Company used to account for certain of its revenue in accordance with IAS 11 *Construction Contracts*, which required estimates to be made for contract costs and revenues and IAS 18 *Revenue* ("IAS 18"). In accordance with IAS 18, there was no requirement to identify components of a contract separately as performance obligations, and thus the measurement of revenue was not performed on separately identifiable components.

DISAGGREGATION OF REVENUE

The Company considers economic factors that may impact the nature, amount, timing and uncertainty of revenue and cash flows on a geographical basis. Additional information on the disaggregation of revenue by geographic segment can be found in Note 5 – Segment Information.

CONTRACT BALANCES

The contract assets primarily relate to the Company's rights to consideration for services rendered but not billed at the report date. The contract assets are transferred to accounts receivable when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer. The contract liabilities relate to the advance consideration received from customers, for which revenue is recognized over time. The change in the Company's contract assets and accounts receivable from prior reporting periods is related to the adjustment on the timing of revenue recognized as at January 1, 2017, with all other changes as a result of the normal course of operations.

COMMITTED REVENUE

As at December 31, 2018, the Company has $384.9 million of work that is committed to performance obligations for the next five years.

	AS AT DECEMBER 31, 2018				
(in thousands of Canadian Dollars)	2019	2020	2021	2022	2023
Total committed revenue	$ 267,526	$ 70,168	$ 29,566	$ 11,837	$ 5,784

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”).

The new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

CLASSIFICATION AND MEASURMENT OF FINANCIAL ASSETS

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale.

Under IFRS 9, on initial recognition, a financial asset is recorded at fair value and subsequently measured at: amortized cost; FVOCI – debt investment, FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company’s financial assets are comprised of cash, restricted cash, and accounts receivable. Cash and restricted cash are measured at FVTPL. The accounts receivable do not include a significant financing component and are initially measured at the transaction price under IFRS 15. Accounts receivable are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by any impairment loss. Interest income, foreign exchange gains and losses, and impairment are recognized in profit and loss. Any gain or loss on derecognition is recognized in profit or loss.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

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). As equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments 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 on the instrument. Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost.

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 profit or loss in the period in which they arise.

Financial liabilities at amortized cost

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

Compound financial instruments

Compounded 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 conversion option and using a discount rate reflective of 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.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at January 1, 2018.

(thousands of Canadian dollars)	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
FINANCIAL ASSETS				
Cash	FVTPL	FVTPL	$ 9,833	$ 9,833
Restricted cash	FVTPL	FVTPL	2,936	2,936
Accounts receivable	Loan and receivables	Amortized cost	107,229	107,229
TOTAL			$ 119,998	$ 119,998
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	$ 45,934	$ 45,934
Deferred share plan liability	FVTPL	FVTPL	2,848	2,848
Finance lease obligation	Other liabilities	Amortized cost	67	67
Credit facilities	Other liabilities	Amortized cost	63,842	63,842
Convertible debentures	Other liabilities	Amortized cost	47,157	47,157
Other Financial Liabilities	FVTPL	FVTPL	13,011	13,011
TOTAL			$ 172,859	$ 172,859

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the 'incurred loss" model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost and contract assets. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has elected to measure loss allowances for accounts receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Changes in Estimates and Assumptions

The Company considers the credit assessment, historical experience and forward-looking information as key sources of estimation uncertainty.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimate future cash flows of the financial assets have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortize cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables and contract assets, are presented separately in profit or loss.

The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable as at January 1, 2018.

(thousands of Canadian dollars)		Gross Carrying Amount	Weighted-average loss rate		Loss Allowance	Credit-Impaired
		(restated)				
Current	$	42,780	0.01%	$	3	No
30 to 90 days		38,405	0.01%		2	No
Over 90 Days		35,014	25.60%		8,965	Yes
TOTAL	$	116,199		$	8,970	

As at January 1, 2018, the Company determined a weighted-average loss rate of 1.47% on contract assets and recorded a pre-tax increase of $0.9 million in deficit ($0.7 million after tax).

TRANSITION

The Company has adopted IFRS 9 retrospectively, with an initial application date of January 1, 2018. The Company did not restate comparative information for prior periods; accordingly the information presented for 2017 reflects the requirements of IAS 39.

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 has adopted 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. The Company has adopted the interpretation in its financial statements for the annual period beginning January 1, 2018. The adoption of these amendments did not have a material impact on these consolidated financial statements.

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 adoption of these amendments did not have a material impact on these consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and disclosure controls and DC&P as at December 31, 2018, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2018, and ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

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

1. ADJUSTED EBITDA

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

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

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

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

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

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

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

capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculations.

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 30% greater than net fee volume.

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