



IBI
GROUP
2018
ANNUAL
REPORT



Defining the cities of tomorrow
ibigroup.com

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IBI GROUP: A PLATFORM FOR GROWTH & PERFORMANCE

WHY INVEST IN IBI?



Delivering Consistent Returns through Industry Leadership

Design and technology services and solutions in the infrastructure and buildings sectors comprise over 80% of our business, and have consistently delivered solid returns from our position of industry leadership.



Positioned for Growth with Strong Financials

We have consistently hit our revenue targets, and our well-managed balance sheet positions us for growth.



High Returns from Technology Expertise

We are unique in our industry with a long-standing intelligence practice, delivering leading technologies for urban environments. This practice offers high growth and profitable returns in an increasingly technology-focused industry.



Digitizing the Firm and Activating Innovation

As a technology-driven design firm, we continue to innovate within our existing business, develop new products and new business models, leverage emerging technologies, and activate urban innovation.

FINANCIAL HIGHLIGHTS

The financial position of the firm is strong, with sustainable debt levels and growing markets both in Canada and internationally. The firm has stabilized and refocused our US and UK operations and we have gone from strength to strength in India and the Middle East.

REDEEMED CONVERTIBLE
DEBENTURES FOR

\$14.8M

NET REVENUES
INCREASED 1.9% TO

\$368.3M

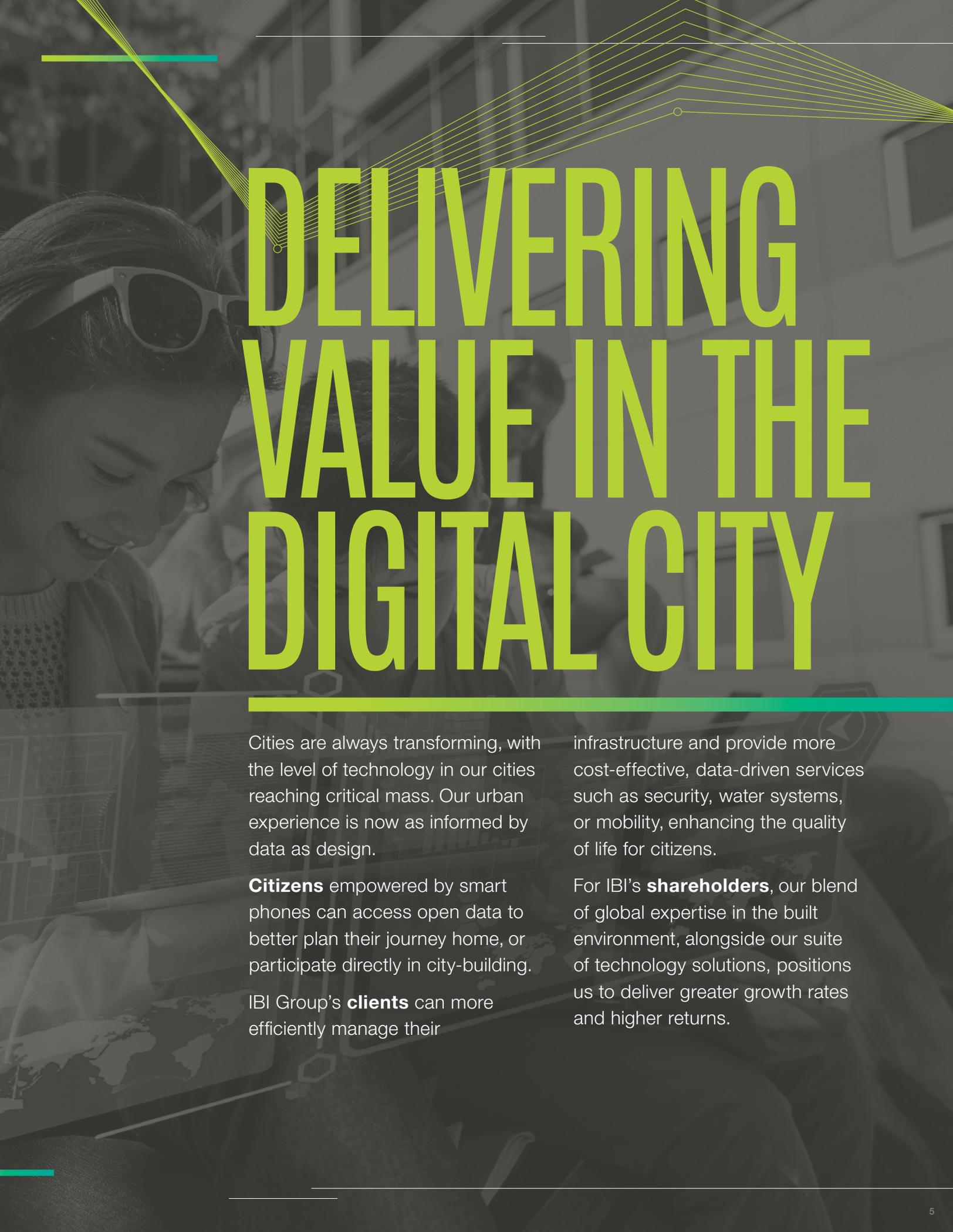
ADJUSTED EBITDA IS AT

\$36.5M

9.9% OF NET REVENUE

SHAREHOLDER EQUITY
INCREASED BY

\$23.2M



DELIVERING VALUE IN THE DIGITAL CITY

Cities are always transforming, with the level of technology in our cities reaching critical mass. Our urban experience is now as informed by data as design.

Citizens empowered by smart phones can access open data to better plan their journey home, or participate directly in city-building.

IBI Group's **clients** can more efficiently manage their

infrastructure and provide more cost-effective, data-driven services such as security, water systems, or mobility, enhancing the quality of life for citizens.

For IBI's **shareholders**, our blend of global expertise in the built environment, alongside our suite of technology solutions, positions us to deliver greater growth rates and higher returns.

URBAN GROWTH & TECHNOLOGY

IBI GROUP'S POSITIVE OUTLOOK IS ROOTED IN TWO TRENDS:

1 **Global urbanization** means a projected increased demand in the building and infrastructure services we provide.

2 **Technology** is a critical component of delivering efficient, safe, and sustainable cities.

Growing Cities and Tech Hubs

GROWTH IS URBAN

2.5B

people will move into global cities over the next 30 years

GLOBAL CITIES NEED NEW BUILDINGS AND INFRASTRUCTURE

INFRASTRUCTURE
\$69.1T

is needed in infrastructure spend (2017 – 2035)

HOUSING
800M

more households needed for our cities by the end of the 21st century

HEALTHCARE
\$200B

in growth projected for the healthcare infrastructure market (2019 – 2024)

EDUCATION
216M to 594M

total number of global students in higher education projected to more than double by 2040

THE NEW ECONOMY IS URBAN

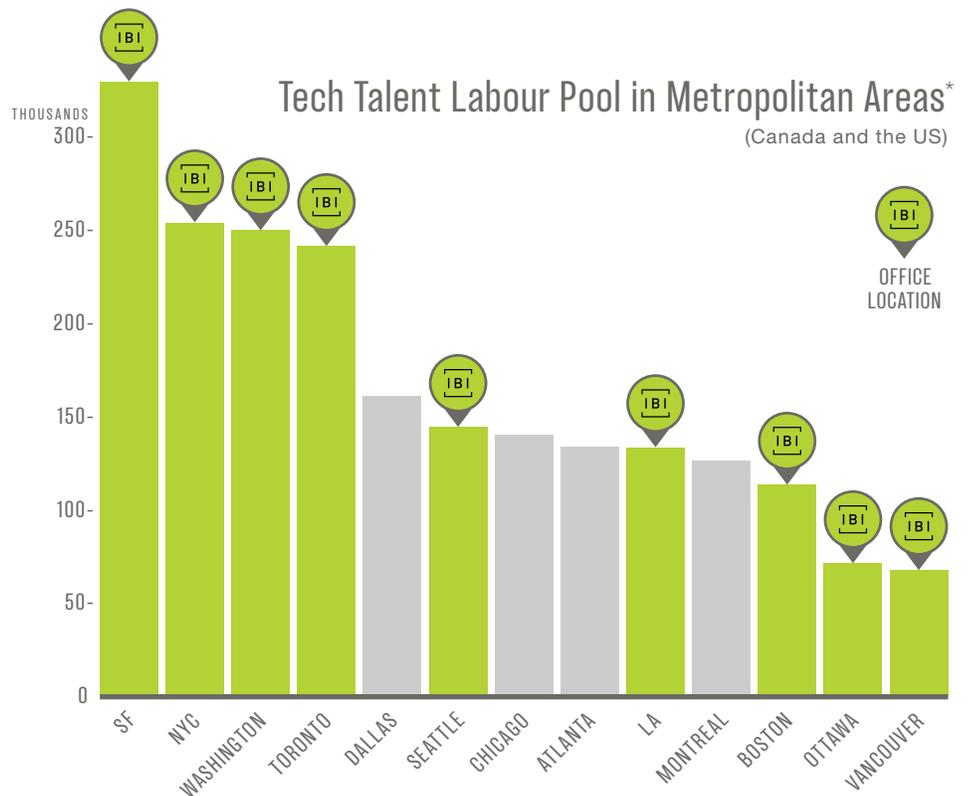
More than 80%

of global Gross Domestic Product (GDP) is generated in cities

WE ARE WHERE THE GROWTH IS

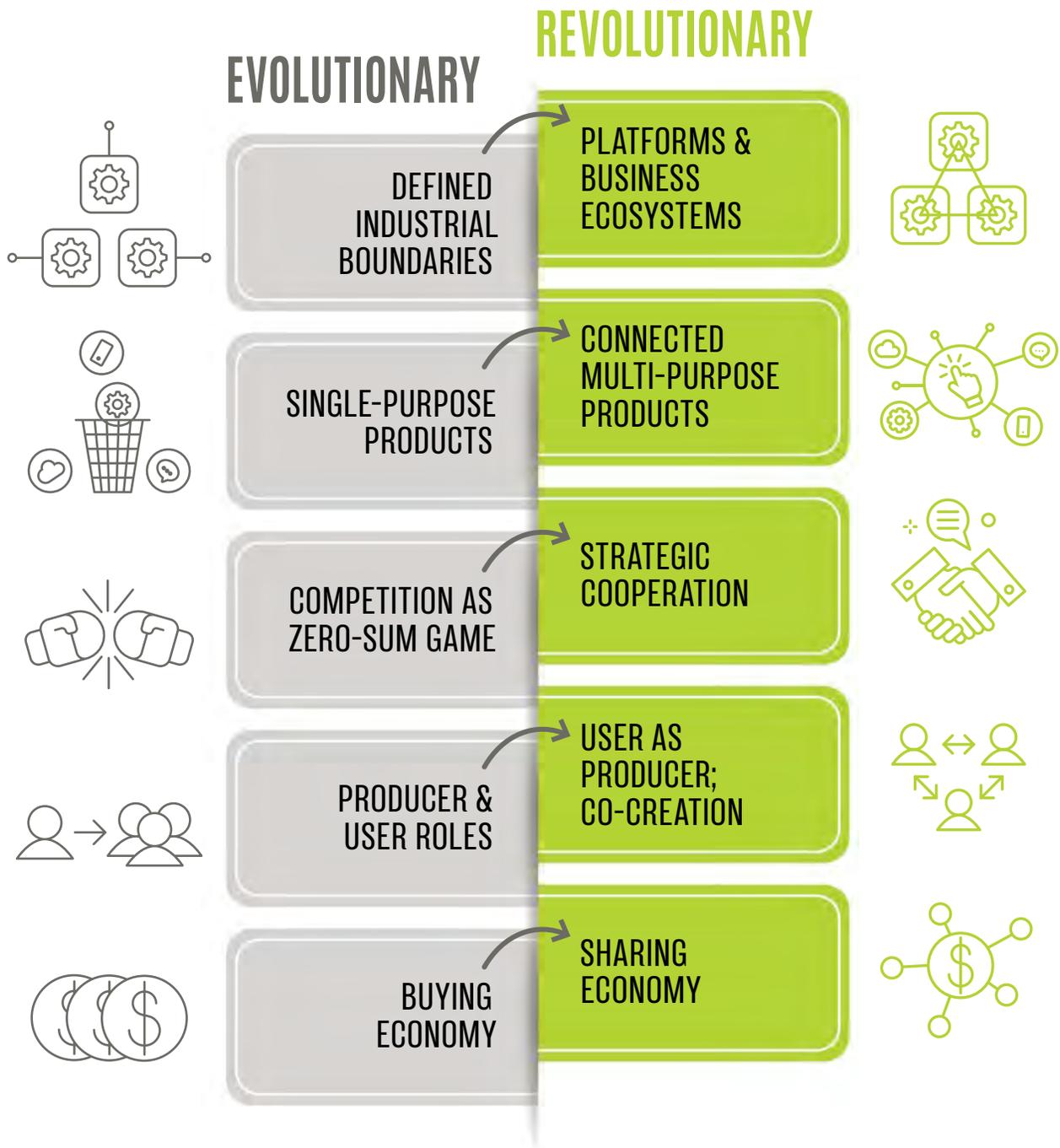
The greatest urban growth in our core markets will be in new economy tech hubs, and IBI Group is located in the majority of them.

*Software developers, programmers, computer support, database and systems, technology and engineering related, computer and information system managers



New Ecosystems, New Opportunities

The network economy has changed the structure of the relationships we forge, and the products we build. IBI Group's new suite of products and services are built on the principles of this economy, and the company is transforming and able to meet the challenges of the 21st century.



Digital Twins

Buildings and infrastructure can now have digital twins; sophisticated and interactive online models that provide an additional layer accompanying the built environment. These virtual representations are now part of our everyday experience, from wayfinding and product tracking in retail environments, to using app-based rideshare services.



OUR DIGITAL PORTFOLIO

At IBI, we have the capability to create digital twins of the assets we design and combine them into virtual portfolios. We are experimenting with connected communities of these twins, which will allow us to prototype and iterate our spaces in the digital world before we create them in the physical world. When scaled to a city or region, they will greatly increase our domain knowledge of the design and operations of the built environment, in turn enhancing the experience for citizens.

LOS ANGELES CIVIC CENTER MASTER PLAN
LOS ANGELES CA

A SMARTER URBAN FUTURE

PROGRESS ON OUR STRATEGIC PLAN

In the spring of 2018, IBI Group unveiled our new Strategic Plan; a bold plan with four streams to transform the firm, infusing technology even deeper in our consulting practice, launching products with new business models, and working with partners to activate urban innovation.

STREAM ONE

Catalyzing Core Growth

The firm has consolidated multiple enterprise platforms including project management, design technology, and customer relations management, to maximize efficiency as part of an overall digitalization strategy that benefits all stakeholders. By applying technology and improved processes to our core professional consulting business, we are leveraging our already excellent reputation for design, service, and project delivery to be more efficient and to enhance the creative quality of our work.

BUILDING INFORMATION MODELING (BIM) AUTOMATION AND INTELLIGENCE

ENHANCED BIMBOT SOFTWARE

Following the successful pilot in 2017 of our custom-designed BIMbot software for clash mitigation, we integrated enhanced functionality into the software, and deployed BIMbot on 10 additional design-build projects as part of our work on the new Tel Aviv Red Line.

CUSTOM-BUILT REVIT APPLETS

We designed custom-built applets for Revit, our building-focused BIM authoring software, which automate previously manual and time-consuming tasks, providing efficiencies for our designers and allowing them to focus on creativity and design.



ROBOTIC PROCESS ADOPTION

We are implementing a suite of automation tools that will enhance our corporate operations. We have also developed an Artificial Intelligence (AI)-powered chatbot that supports staff productivity and engagement.



PARAMETRIC DESIGN

In a short time frame, parametric design has become a mainstay of our design practice, benefitting our buildings and infrastructure projects, as well as our operations and environmental services. Computational analytics are the core of parametric design, and though they have traditionally been used in application to specific buildings, we are also applying them to the city itself, creating a pool of data and algorithms that can be brought to bear to solve complex problems.

MAKING AIRPORT CONNECTIONS ACCESSIBLE AND EFFICIENT

At a major international airport, we used parametric design to optimize the route of a pedestrian tunnel between passenger terminals. The easiest path to navigate with the fewest obstructions was calculated, while also adhering to accessibility requirements.

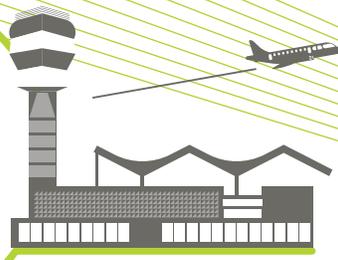
ELECTRIC CHARGE STATIONS FOR BUS FLEETS

We used computational analytics to determine the optimal location of charging stations for a future electric bus fleet.

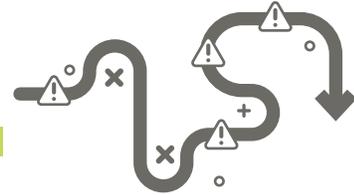
DESIGNING FOR SOLAR

We applied a parametric model to determine the best locations for solar panel installation in building design that generate the greatest cost savings.

PLANNING PASSENGER PATHWAYS



99%
of **OBSTRUCTIONS**
avoided



CORRIDOR LENGTH
shortened by

71%



AVERAGE SLOPE
reduced by

68%



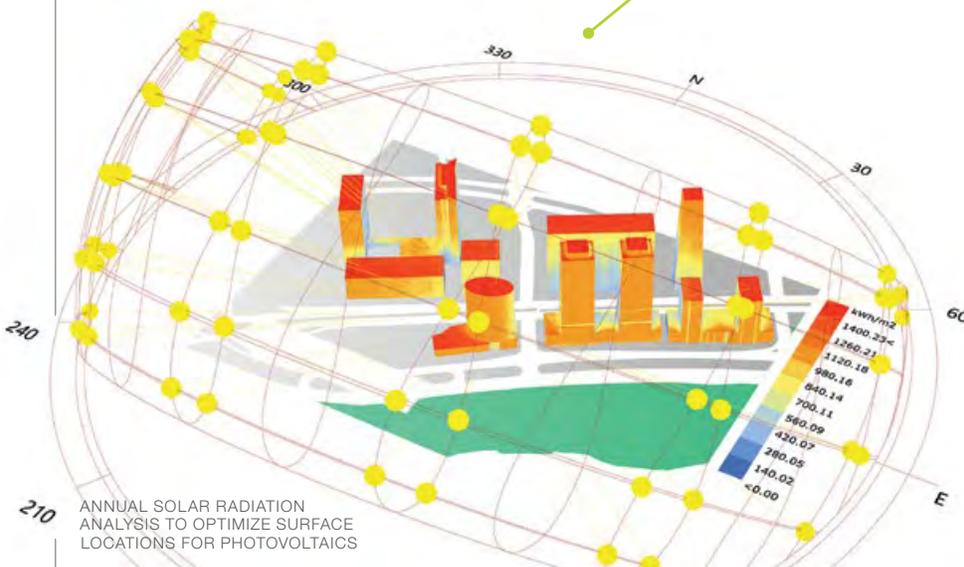
All results show progression from the original design produced by parametric algorithms.

ONE OF THESE CARS IS NOT LIKE THE OTHER

Fares on India's toll highways vary depending on the type of car, truck, and other vehicle types. We used machine learning to increase the accuracy of vehicle identification at automated highway toll stations. This resulted in increased revenue streams and cost savings for our client.

Increased accuracy of vehicle identification from

85% TO OVER 98%



STREAM TWO

Transforming Business Models

We have launched a suite of smart city products that add revenue streams throughout the lifecycle of the assets we design. We have excellent gateways to find markets for these new products by extending relationships with our existing clients, and providing them with additional value through these solutions.

NEW PRODUCTS IN 2018



Smart City Platform

Our Smart City Platform combines big data and predictive analytics to support improved decision making for cities. The platform can be applied at the scale of an entire city down to a single building.

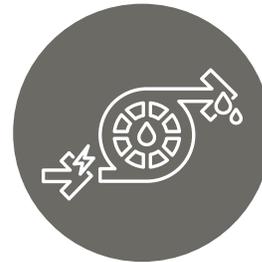


InForm by IBI Group

InForm by IBI Group is an innovative asset management solution for the transportation and buildings sectors.

INFORM BUILDINGS enables building managers to lower costs and streamline operations by creating a digital twin of an asset incorporating BIM and maintenance data.

INFORM TRANSPORTATION is used to manage linear infrastructure assets, including cameras, signs, signals, and sensors for highway operations.



BlueIQ

BlueIQ enables city and utility operators to optimize the energy costs of water distribution. BlueIQ is currently saving the City of Toronto more than \$1M in energy costs annually.

OUR PRODUCT PIPELINE

In 2019, we are planning formal launches of new products, including a series of applications and services in the traveller information space.

We have set up global product development and management groups as we work to meet the demand for new technology-enabled products across our business.



STREAM THREE

Prototyping the Future

We are weaving emerging technologies into our existing business and projects, leveraging our unique expertise in urban technology and the application of new technologies to urban projects.

SECURING HIGHER EDUCATION INTEGRITY IN INDIA

We are providing consulting and advisory services to the Indian state of Pondicherry. Using the blockchain, we are helping to maintain the integrity and reputation of more than forty higher education institutions by preventing the distribution of illegitimate degrees, certificates, and testimonials.

EQUIPPING OUR STAFF FOR THE FUTURE

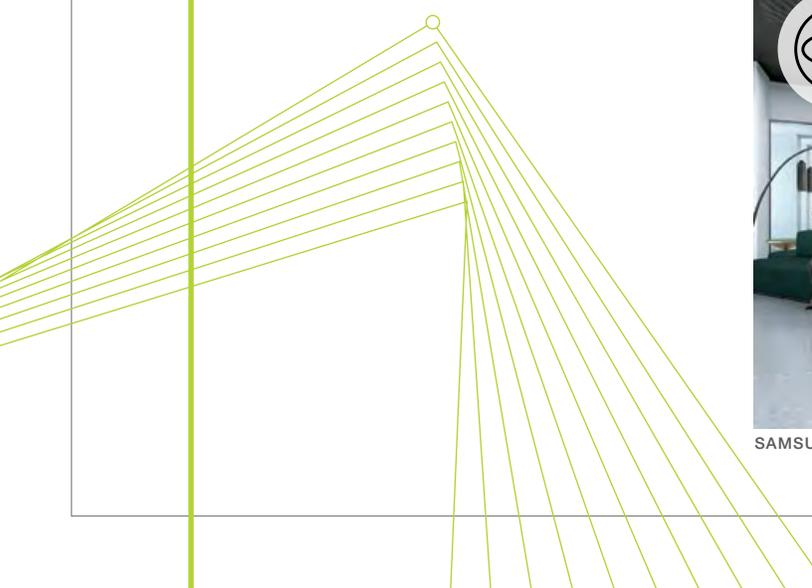
We are providing staff with company-wide training, webinars, and workshops in robotic process automation, blockchain, AR/VR, and AI, among other technologies. We share examples of applicable project work and provide perspective on the future impact on our industry and our urban environments.

EXPANDING OUR TECHNOLOGY SPECIALIST TEAMS

We are using Augmented and Virtual Reality (AR/VR), as well as parametric design, to involve our clients more personally in our designs, allowing them to explore our projects virtually, and to see how design changes impact the experience before any construction begins.



SAMSUNG SOLUTIONS CENTER WASHINGTON DC



STREAM FOUR

Activating Urban Innovation

In May 2018, we announced the launch of our Smart City Sandbox initiative with partners EllisDon, Ontario Power Generation (OPG), The Weather Network, Ontario Centres of Excellence (OCE), Slate Asset Management, and technology provider, Microsoft. The Sandbox brings together professional domain knowledge, business acumen, and the latest in technology to incubate new ideas and products.



IBIHACKS

We launched our IBIHacks global innovation challenge, designed as a platform for staff to share ideas for new products and develop them into viable solutions. As we moved into the new year, over 200 staff in offices around the world worked in hackathon format in 50 teams on new projects, building prototypes and producing business plans that will potentially seed new project ideas, products, and services for the firm.

ESTABLISHING A UNIQUE INDUSTRY ECOSYSTEM

Through the Smart City Sandbox, we are establishing a unique industry innovation ecosystem with partners, and are working on innovation initiatives including smart mobility, smart buildings, and civic engagement.



DALE RICHMOND
CHAIR OF THE BOARD

SCOTT STEWART
CEO

DAVID THOM
PRESIDENT



SMART CITIES, SMART FIRM

As we approach the third decade of the 21st century, IBI Group continues to be a leader in the built environment, and to benefit from the unique technology practice we established when we opened our doors in 1974. Our leadership has always placed technology at the core of the firm and as part of that vision, delivered one of the first global Intelligent Transportation Systems (ITS). Our team remains true to that original vision and understands that our success relies on always learning, innovating, and leading the market.

Through the four streams of our Strategic Plan, technology is the platform for future growth and performance. We will retain our focus on the built environment, and we are confident we will successfully infuse technology into our traditional professional services. We will continue to adopt a diverse set of business models and focus on extending recurring revenue flows throughout the lifecycle of the assets we design. The tech industry itself is becoming increasingly focused on the urban environment and we are committed to being leaders in that industry through the further development of products, solutions, and services. We will foster an urban innovation ecosystem of partners, working in new ways to define the cities of tomorrow.

Our strategic direction, growth prospects, technology expertise, and financial position reflect a commitment to growing shareholder value, and ultimately, to foster more resilient, livable, and prosperous urban environments.

We have the roadmap, the vision, the leadership, and the expertise to deliver on this Plan.



Dale Richmond
Chair of the Board



Scott Stewart
CEO



David Thom
President

IBI AT A GLANCE

60+
GLOBAL
OFFICES

2,600
DIFFERENCE
MAKERS

AND COUNTING

FOUNDED
1974

PUBLICLY
TRADED SINCE
2004

CORPORATE
HEAD OFFICE
Toronto,
Canada

3 SECTORS
OF EXPERTISE
Intelligence
Buildings
Infrastructure

We are a global design and technology firm. We design every aspect of a truly integrated city for people to live, work, and play.

OUR MISSION

Defining the Cities of Tomorrow. We define how cities look, how cities feel, and how cities work.

OUR VISION

We are the global partner to plan, design, build, and sustain the cities of tomorrow. We are holistically minded, design inspired, and technology-driven.

OUR VALUES

Integrity

We do what is right.

Partnerships

We work together.

Excellence

We pursue design excellence.

Innovation

We embrace ingenuity.

Community

We build community.



SERVICES

ARCHITECTURAL CONTROLS
ARCHITECTURE
BRIDGE ENGINEERING
BROWNFIELD DEVELOPMENT
CIVIL ENGINEERING
DATA ANALYTICS
DESIGN TECHNOLOGY
DEVELOPMENT ENGINEERING
ECONOMIC / FINANCIAL ANALYSIS
ELECTRICAL ENGINEERING
ENGINEERING
ENVIRONMENTAL ASSESSMENT
GEOMATICS / LAND SURVEYING
HIGHWAY AND ROAD DESIGN
INTERIORS
LAND USE PLANNING
LANDSCAPE ARCHITECTURE
MASTER PLANNING
MECHANICAL ENGINEERING
MUNICIPAL SERVICES
OPERATIONS AND MAINTENANCE
PLANNING & URBAN DESIGN
PROJECT / PROGRAMME MANAGEMENT
PUBLIC OUTREACH
RESEARCH AND DEVELOPMENT
SOFTWARE DEVELOPMENT
SPATIAL INTELLIGENCE
STRATEGIC PLANNING
STRUCTURAL ENGINEERING
SUSTAINABILITY & ENVIRONMENTAL MANAGEMENT
SYSTEMS
SYSTEMS ENGINEERING
TRAFFIC ENGINEERING
TRANSIT PLANNING
TRANSPORTATION ENGINEERING
TRANSPORTATION PLANNING
WATER RESOURCES MANAGEMENT

IBI AT A GLANCE

CONSOLIDATED FINANCIAL STATEMENTS OF IBI GROUP INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017





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INDEPENDENT AUDITORS' REPORT

To the Shareholders of IBI Group Inc.

Opinion

We have audited the consolidated financial statements of IBI Group Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statement of income and other comprehensive income for the years then ended
- the consolidated statement of changes in equity (deficit) for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at the end of December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Emphasis of Matter – Comparative Information

We draw attention to Note 4 to the financial statements ("Note 4"), which explains that certain comparative information presented:

- for the year ended December 31, 2017 has been restated.
- as at January 1, 2017 has been derived from the financial statements for the year ended December 31, 2016 which have been restated (not presented herein).

Note 4 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Elliot Marer.

Vaughan, Canada

March 6, 2019

IBI GROUP INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Canadian dollars)</i>	<i>Notes</i>	December 31, 2018	December 31, 2017 <i>(restated)</i>	January 1, 2017 <i>(restated)</i>
Assets				
Current Assets				
Cash	6(c)	\$ 9,460	\$ 9,833	\$ 8,008
Accounts receivable	6(c),12(b)	114,796	107,229	104,603
Contract assets	3,4	68,287	64,579	72,591
Prepaid expenses and other current assets		15,276	16,446	12,842
Income taxes recoverable		505	2,324	507
Total Current Assets		\$ 208,324	\$ 200,411	\$ 198,551
Restricted cash	6(c),12(c)	3,190	2,936	4,522
Other assets		300	360	421
Property and equipment	7	18,084	15,352	15,772
Intangible assets	8	8,089	7,639	7,672
Deferred tax assets	9	10,179	14,314	19,568
Total Assets		\$ 248,166	\$ 241,012	\$ 246,506
LIABILITIES AND DEFICIT				
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	6(c),12(c)	39,640	48,782	55,505
Contract liabilities	3,4	40,394	43,186	50,522
Income taxes payable		1,999	1,486	1,860
Finance lease obligation	6(c),12(c)	31	36	37
Onerous lease provisions		1,541	4,197	1,018
Total Current Liabilities		\$ 83,605	\$ 97,687	\$ 108,942
Onerous lease provisions		312	1,082	2,270
Finance lease obligation	6(c),12(c)	–	31	67
Credit facilities	6(a)	75,548	63,842	73,184
Convertible debentures	6(b)	37,213	47,157	43,876
Other financial liabilities	6(b)	3,994	13,011	9,089
Deferred tax liabilities	9	5,496	3,901	3,552
Total Liabilities		\$ 206,168	\$ 226,711	\$ 240,980
Equity				
Shareholders' Equity				
Share capital	11	279,926	279,679	279,667
Capital reserve	11	2,731	1,362	453
Contributed surplus	11	7,958	7,397	7,397
Deficit		(258,204)	(274,566)	(284,031)
Convertible debentures – equity component	6(b)	–	561	561
Accumulated other comprehensive loss		(1,998)	(7,232)	(4,304)
Total Shareholders' Equity		\$ 30,413	\$ 7,201	\$ (257)
Non-controlling interest	11	11,585	7,100	5,783
Total Equity		\$ 41,998	\$ 14,301	\$ 5,526
Total Liabilities and Equity		\$ 248,166	\$ 241,012	\$ 246,506

See accompanying notes to these consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

<i>(thousands of Canadian dollars, except per share amounts)</i>	<i>Notes</i>	2018	2017
Revenue			
Gross Revenue		\$ 454,614	\$ 462,045
Less: Sub-consultants and direct costs		86,314	100,637
Net Revenue		\$ 368,300	\$ 361,408
Expenses			
Salaries, fees and employee benefits	10,16,17	263,095	255,915
Rent	14	21,620	25,702
Other operating expenses		41,739	39,688
Foreign exchange loss (gain)	12(a)	3,190	(989)
Amortization of intangible assets	8	1,474	1,231
Depreciation of property and equipment	7	4,536	3,229
Loss (gain) in fair value of other financial liabilities	6(b)	(9,017)	3,922
Impairment of financial assets	12	1,397	1,680
		328,034	330,378
Operating Income		\$ 40,266	\$ 31,030
Interest expense, net	12,15	10,939	10,326
Other finance costs	15	1,133	1,466
Finance Costs		\$ 12,072	\$ 11,792
Share of loss of equity accounted investee, net of tax	20	-	348
Net Income Before Tax		\$ 28,194	\$ 18,890
Current tax expense	9	1,581	1,963
Deferred tax expense	9	6,122	5,555
Income Taxes		\$ 7,703	\$ 7,518
Net Income		\$ 20,491	\$ 11,372
Other Comprehensive Income			
Items that are or may be reclassified to profit or loss			
Gain (loss) on translating financial statements of foreign operations, net of tax		6,287	(3,518)
Other Comprehensive Income		6,287	(3,518)
Total Comprehensive Income		\$ 26,778	\$ 7,854
Net Income Attributable to:			
Common shareholders		17,059	9,465
Non-controlling interests	11	3,432	1,907
Net Income		\$ 20,491	\$ 11,372
Total Comprehensive Income Attributable to:			
Common shareholders		\$ 22,293	\$ 6,537
Non-controlling interests	11	4,485	1,317
Total Comprehensive Income		\$ 26,778	\$ 7,854
Earnings Per Share Attributable to Common Shareholders			
Basic and earnings per share	11	\$ 0.55	\$ 0.30
Diluted earnings per share	11	\$ 0.54	\$ 0.30

See accompanying notes to these consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(thousands of Canadian dollars)</i>	<i>Notes</i>	2018	2017
Cash Flows Provided by (Used in) Operating Activities			
Net income		\$ 20,491	\$ 11,372
Items not affecting cash:			
Onerous lease provision	14	(3,426)	1,991
Depreciation of property and equipment	7	4,536	3,229
Amortization of intangible assets	8	1,474	1,231
Amortization of deferred financing costs	15	512	775
Impairment of financial assets	12	1,397	1,680
Share of loss of equity-accounted investee, net of tax	20	–	348
Foreign exchange loss (gain)	12(a)	3,190	(989)
Interest expense, net	12	10,939	10,326
Deferred tax expense	9	6,122	5,555
Share based compensation option expense	17	1,371	913
Loss on disposal of property and equipment	7	9	936
Loss (gain) in fair value of other financial liabilities	6(b)	(9,017)	3,922
Interest paid		(6,128)	(7,062)
Income taxes received (paid)		924	(3,941)
Change in non-cash operating working capital	13	(19,781)	(15,147)
Net Cash Flows Provided by Operating Activities		\$ 12,613	\$ 15,139
Cash Flows Provided by (Used in) Financing Activities			
Draws (payments) on principal of credit facilities	6(a)	10,425	(8,210)
Redemption of convertible debentures	6(b)	(14,755)	–
Deferred financing costs	6(a)	(314)	(1,031)
Payments on principal of finance lease obligation		(36)	(37)
Proceeds from shares issued	11	4	8
Net Cash Flows Used in Financing Activities		\$ (4,676)	\$ (9,270)
Cash Flows Provided by (Used in) Investing Activities			
Purchase of property and equipment	7	(6,946)	(3,941)
Purchase of intangible assets	8	(1,445)	(1,326)
Increase investment in equity-accounted investee	20	–	(348)
Restricted cash	6(c),12(c)	–	1,381
Net Cash Flows Used in Investing Activities		\$ (8,391)	\$ (4,234)
Effect of foreign exchange rate fluctuations on cash held	12(a)	81	190
Net Increase/(Decrease) in Cash		\$ (373)	\$ 1,825
Cash, beginning of period		9,833	8,008
Cash, End of Period		\$ 9,460	\$ 9,833

See accompanying notes to these consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

<i>(thousands of Canadian dollars)</i>	<i>Notes</i>	2018	2017 <i>(restated)</i>
Share Capital			
Share capital, beginning of period		\$ 279,679	\$ 279,667
Shares issued	11	247	12
Share Capital, End of Period		\$ 279,926	\$ 279,679
Capital Reserve			
Capital reserve, beginning of period		\$ 1,362	\$ 453
Stock options granted	17	1,224	810
Stock options exercised	17	(2)	(4)
Performance share units granted	17	147	103
Capital Reserve, End of Period		\$ 2,731	\$ 1,362
Contributed Surplus			
Contributed surplus, beginning of period		\$ 7,397	\$ 7,397
Redemption of 7% debentures		561	–
Contributed Surplus, End of Period		\$ 7,958	\$ 7,397
Deficit			
Deficit, beginning of period, as reported		\$ (259,886)	\$ (269,351)
Adjustment from adoption of IFRS 15 (net of tax)	4	(14,680)	(14,680)
Adjustment from adoption of IFRS 9 (net of tax)	4	(697)	–
Deficit, beginning of period, as restated		\$ (275,263)	\$ (284,031)
Net income attributable to common shareholders		17,059	9,465
Deficit, End of Period		\$ (258,204)	\$ (274,566)
Convertible Debentures – Equity Component			
Convertible debentures, beginning of period	6(b)	\$ 561	\$ 561
Redemption of 7% debentures	6(b)	(561)	–
Convertible Debentures, End of Period		\$ –	\$ 561
Accumulated Other Comprehensive Loss			
Accumulated other comprehensive loss, beginning of period		\$ (7,232)	\$ (4,304)
Other comprehensive income attributable to common shareholders		5,234	(2,928)
Accumulated Other Comprehensive Loss, End of Period		\$ (1,998)	\$ (7,232)
Total Shareholders' Equity		\$ 30,413	\$ 7,201
Non-Controlling Interest			
Non-controlling interest, beginning of period		\$ 7,100	\$ 5,783
Total comprehensive income attributable to non-controlling interests	11	4,485	1,317
Non-Controlling Interest, End of Period		\$ 11,585	\$ 7,100
Total Equity, End of Period		\$ 41,998	\$ 14,301

See accompanying notes to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

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

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership (“IBI Group”), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at December 31, 2018, the Company’s common share capital consisted of 31,220,877 (December 31, 2017 – 31,190,153) issued and outstanding shares. Each share entitles the holder to one vote at all meetings of shareholders.

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

If all of the outstanding Class B partnership units were converted to common shares, the common share capital as at December 31, 2018 would be 37,503,099 (December 31, 2017 – 37,472,375). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 35.6% of the voting shares as at December 31, 2018 (December 31, 2017 – 35.2%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2018:

	Number of Units Held	Percentage of Total Ownership
Class B partnership units and non – participating voting shares held by the Management Partnership	6,282,222	16.75 %
Common shares held by the Management Partnership and affiliated partnerships	7,084,410	18.89 %

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2017:

	Number of Units Held	Percentage of Total Ownership
Class B partnership units and non – participating voting shares held by the Management Partnership	6,282,222	16.77 %
Common shares held by the Management Partnership and affiliated partnerships	6,910,276	18.44 %

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

The table below summarizes the trading symbols of the Company’s securities which are listed on the Toronto Stock Exchange (“TSX”) as at December 31, 2018:

Security	Trading Symbol
Common shares	“IBG”
5.5% convertible debentures, \$46,000 principal, convertible at \$8.35 per share, matures on December 31, 2021 (“5.5% Debentures”)	“IBG.DB.D”

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

NOTE 2: BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

These consolidated financial statements of the Company and its subsidiaries (the “consolidated group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on March 7, 2019.

(b) BASIS OF MEASUREMENT

These consolidated financial statements were prepared on a going concern basis. Amounts are recorded under the historical cost convention, except for certain financial liabilities measured at fair value through profit or loss (“FVTPL”), as described in Note 4.

(c) BASIS OF CONSOLIDATION

Subsidiaries

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

Joint Arrangements

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplined projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture or associate requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. All current partnering arrangements are classified as joint operations.

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

Transactions Eliminated on Consolidation

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

Non-Controlling Interest

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

(d) FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

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

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

(e) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates

and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in these consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in these consolidated financial statements are as follows, except for significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 4.

Onerous Lease Provisions

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

Determining Probable Future Utilization of Tax Loss Carryforwards

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

Revaluation of Derivative Liability

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) REVENUE RECOGNITION

Changes in accounting policy with regards to revenue recognition as a result of the new IFRS 15 standard taking effect on January 1, 2018, are described in Note 4.

(b) CONTRACT ASSETS AND CONTRACT LIABILITIES

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

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

An allowance account is also maintained on work in process, measured by the estimated amount of professional costs that are expected not to be invoiced. When contract assets are not recoverable due to collection risks, the amount is written off in the reserve for contract assets. Financial asset and financial liability accounting policy changes are described in Note 4.

(c) CASH

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

(d) PROPERTY AND EQUIPMENT

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

Asset	Basis	Rate
Office furniture and equipment	Diminishing balance	20%
Computer equipment	Straight line	2 years
Vehicles	Diminishing balance	20%
Leasehold improvements	Straight line	Term of lease

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

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

(e) INTANGIBLE ASSETS

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

Asset	Basis	Amortization Period
Customer relationships	Straight line	8 – 10 years
Contracts backlog	Straight line	1 – 2 years
Non-competition provisions	Straight line	3 – 4 years
ERP Systems	Straight line	10 years

(f) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

(g) INCOME TAXES

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

Current tax represents the current tax payable (receivable) on the taxable income for the period, calculated in accordance with the rates and legislation of the respective tax jurisdiction in which the Company operated, enacted or substantively enacted as at the date of the consolidated statement of financial position; it also reflects any adjustment resulting from new information to taxes payable (recoverable) in respect of previous years.

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

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

(h) SHARE-BASED COMPENSATION

Cash Settled Transactions

The Company has a share-based compensation plan (“Deferred Share Plan”) which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as liabilities at FVTPL. On the grant date, the deferred shares are measured at fair value based on the market price with subsequent changes to the fair value recorded as salaries, fees and employee benefit expenses until settled.

Equity Settled Transactions

STOCK OPTIONS

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

PERFORMANCE SHARE UNITS

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

(i) FINANCIAL INSTRUMENTS

Changes in accounting policy with regards to financial instruments as a result of the New IFRS 9 standard taking effect on January 1, 2018, are described in Note 4.

(j) LEASES

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

Operating Lease

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

Finance Lease

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

(k) PROVISIONS

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

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

Onerous Contracts

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

NOTE 4: CHANGES IN ACCOUNTING POLICIES

(a) ACCOUNTING POLICY CHANGES ADOPTED IN 2018

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 \$18,451 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.

<i>As at January 1, 2017</i>	Impact of Changes in Accounting Policy		
<i>(thousands of Canadian dollars)</i>	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

<i>As at December 31, 2017</i>	Impact of Changes in Accounting Policy		
<i>(thousands of Canadian dollars)</i>	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 templates 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

At the end of December 31, 2018, the Company has \$384,881 of work that is committed to performance obligations for the next five years.

(thousands of Canadian dollars)	As at December 31, 2018				
	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 Measurement 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). An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments 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.

<i>(thousands of Canadian dollars)</i>	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 & 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.

<i>(thousands of Canadian dollars)</i>	Gross Carrying Amount <i>(restated)</i>	Weighted-average Loss Rate	Loss Allowance	Credit-impaired
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 \$948 in deficit (\$697 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.

(b) FUTURE ACCOUNTING POLICIES**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 Amendment) 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.

NOTE 5:
SEGMENT INFORMATION

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

(a) OPERATING SEGMENTS

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

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

(b) GEOGRAPHIC SEGMENTS

The following table demonstrates certain consolidated statement of financial position line items segmented geographically as at December 31, 2018, with comparatives as at December 31, 2017:

	As at December 31, 2018				Total
	Canada	United States	United Kingdom	Other International	
Property and equipment	\$ 12,229	\$ 3,734	\$ 1,339	\$ 782	\$ 18,084
Intangible assets	6,169	1,572	348	–	8,089
Contract assets	26,146	17,676	3,807	20,658	68,287
Contract liabilities	26,395	5,324	3,407	5,268	40,394
Total Assets	115,368	56,955	18,435	57,408	248,166

	As at December 31, 2017				Total
	Canada	United States	United Kingdom	Other International	
Property and equipment	\$ 10,557	\$ 2,969	\$ 1,363	\$ 463	\$ 15,352
Intangible assets	5,285	1,901	453	–	7,639
Contract assets (restated) ¹	24,673	14,994	4,652	20,260	64,579
Contract liabilities	25,023	8,320	3,767	6,076	43,186
Total Assets (restated)¹	112,969	53,648	22,211	52,184	241,012

¹ See Note 4 – Changes in Accounting Policies

The following table demonstrates certain information contained in the consolidated statement of income and comprehensive income segmented geographically for the year ended December 31, 2018 and 2017. The unallocated amounts for the year ended December 31, 2018 and 2017 pertain to interest on convertible debentures, accretion expense on convertible debentures, amortization of deferred financing cost, long term debt interest, loss (gain) in fair value of other financial liabilities, and loss (gain) in fair value of deferred share units.

	Year Ended December 31, 2018					Total
	Canada	United States	United Kingdom	Other International	Unallocated Corporate Costs ¹	
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 ²	\$ 29,317	\$ (639)	\$ 1,031	\$ 6,829	\$ –	\$ 36,538
Items excluded in calculation of Adjusted EBITDA ² :						
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 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 As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

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 As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

NOTE 6: FINANCIAL INSTRUMENTS

(a) INDEBTEDNESS

On June 30, 2017, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a \$130,000 revolver facility, of which a maximum of \$10,000 is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis.

On September 27, 2018, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 27, 2022, and

increasing the swing line facility maximum available amount to \$20,000. The total revolver facility remains unchanged at \$130,000. 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%).

As at December 31, 2018, IBI Group has borrowings of \$77,159 (December 31, 2017 – \$65,651) under the credit facilities, which has been recognized net of deferred financing costs of \$1,611 (December 31, 2017 – \$1,809). As at December 31, 2018, IBI Group has letters of credit outstanding of \$4,681 (December 31, 2017 – \$6,538), of which \$4,428 (December 31, 2017 – \$6,021) is issued under a \$30,000 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, \$74,834 was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt (December 31, 2017 – \$65,651).

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.

	As at	
	December 31, 2018	December 31, 2017
Balance at January 1	\$ 63,842	\$ 73,184
Draws on credit facilities	15,525	–
Payments on principal of credit facilities	(5,100)	(8,210)
Deferred financing capitalization	(314)	(1,031)
Amortization of deferred financing costs	512	775
Impact of foreign exchange	1,083	(876)
Ending Balance	\$ 75,548	\$ 63,842

(b) CONVERTIBLE DEBENTURES

	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 (\$46,000 Principal, Option A Redeemed September 27, 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 \$29,988 principal of the 7.0% Debentures had exercised the \$5 share conversion option and received 5,997,600 shares. For the balance of \$1,257 principal of the 7.0% Debentures, the Company issued 222,476 shares. The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

On September 27, 2018, the Company financed the redemption of the 7.0% Debentures under Option A for \$14,755 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 \$2,573 of accretion expense being recognized in the consolidated statement of comprehensive income during the year ended December 31, 2018. The equity component of \$561 was reclassified to contributed surplus upon redemption.

5.5% Debentures (\$46,000 Principal, Matures on December 31, 2021)

In September 2016, the Company issued 5.5% Debentures of \$46,000 with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of \$8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at \$32,498 which was net of deferred financing costs of \$2,594, estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of \$10,908 at the date of issuance, and recorded as part of other financial liabilities in the 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 \$3,994 (December 31, 2017 – \$13,011). The movement in fair value is impacted by several factors which include IBI share price, the Canadian risk free rate and IBI's credit risk.

The fair value of the convertible debentures as at December 31, 2018, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5 % Debentures	\$ 37,213	\$ 45,995
7.0 % Debentures	-	-
Balance, December 31, 2018	\$ 37,213	\$ 45,995

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

	Carrying Value	Fair Value
5.5 % Debentures	\$ 34,975	\$ 51,175
7.0 % Debentures	12,182	15,198
Balance, December 31, 2017	\$ 47,157	\$ 66,373

(c) FINANCIAL ASSETS AND LIABILITIES

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

The carrying amount of the Company's financial instruments as at December 31, 2018 are as follows:

	Financial Assets and Liabilities at FVTPL	Amortized Cost	Total
Financial Assets			
Cash	\$ 9,460	\$ -	\$ 9,460
Restricted cash	3,190	-	3,190
Accounts receivable	-	114,796	114,796
Total	\$ 12,650	\$ 114,796	\$ 127,446
Financial Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 37,959	\$ 37,959
Deferred share plan liability ¹	1,681	-	1,681
Finance lease obligation	-	31	31
Credit facilities	-	75,548	75,548
Convertible debentures	-	37,213	37,213
Other financial liabilities	3,994	-	3,994
Total	\$ 5,675	\$ 150,751	\$ 156,426

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

The carrying amount of the Company's financial instruments as at December 31, 2017 are as follows:

	Financial Assets and Liabilities at FVTPL	Amortized Cost	Total
Financial Assets			
Cash	\$ 9,833	\$ -	\$ 9,833
Restricted cash	2,936	-	2,936
Accounts receivable (restated) ¹	-	107,229	107,229
Total	\$ 12,769	\$ 107,229	\$ 119,998
Financial Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 45,934	\$ 45,934
Deferred share plan liability ²	2,848	-	2,848
Finance lease obligation	-	67	67
Credit facilities	-	63,842	63,842
Convertible debentures	-	47,157	47,157
Other financial liabilities	13,011	-	13,011
Total	\$ 15,859	\$ 157,000	\$ 172,859

¹ See Note 4 – Changes in Accounting Policies

² The deferred share plan liability is grouped with accounts payable and accrued liabilities on the consolidated statement of financial position. See Note 16 – Deferred Share Plan, for further discussion.

The following tables summarize the Company's fair value hierarchy for those assets and liabilities that are measured at fair value on a recurring basis as at December 31, 2018 and December 31, 2017:

	As at December 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 9,460	\$ -	\$ -
Restricted cash	-	3,190	-
Deferred share plan liability	-	(1,681)	-
Other financial liabilities	-	(3,994)	-
	\$ 9,460	\$ (2,485)	\$ -

	As at December 31, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 9,833	\$ -	\$ -
Restricted cash	-	2,936	-
Deferred share plan liability	-	(2,848)	-
Other financial liabilities	-	(13,011)	-
	\$ 9,833	\$ (12,923)	\$ -

NOTE 7: PROPERTY AND EQUIPMENT

The following table presents the Company's property and equipment as at December 31, 2018 and December 31, 2017:

	Office Furniture and Equipment	Computer Equipment	Vehicles	Leaseholds	Total
Cost					
January 1, 2017	\$ 12,529	\$ 18,512	\$ 392	\$ 15,634	\$ 47,067
Additions	328	1,492	326	1,795	3,941
Disposals	(390)	(398)	(299)	(904)	(1,991)
Write off of fully amortized assets	(272)	(744)	–	(639)	(1,655)
Foreign currency translation loss	(241)	(333)	7	(93)	(660)
December 31, 2017	\$ 11,954	\$ 18,529	\$ 426	\$ 15,793	\$ 46,702
Additions	1,058	2,010	–	3,878	6,946
Disposals	(9)	–	–	–	(9)
Write off of fully amortized assets	(316)	(3,705)	–	(1,230)	(5,251)
Foreign currency translation gain/(loss)	397	425	11	187	1,020
December 31, 2018	\$ 13,084	\$ 17,259	\$ 437	\$ 18,628	\$ 49,408
Accumulated Depreciation					
January 1, 2017	\$ 7,697	\$ 16,181	\$ 215	\$ 7,202	\$ 31,295
Depreciation	552	1,510	61	1,106	3,229
Disposals	(336)	(203)	(40)	(476)	(1,055)
Write off of fully amortized assets	(272)	(744)	–	(639)	(1,655)
Foreign currency translation (gain)	(117)	(299)	2	(50)	(464)
December 31, 2017	\$ 7,524	\$ 16,445	\$ 238	\$ 7,143	\$ 31,350
Depreciation	1,083	1,669	86	1,698	4,536
Disposals	–	–	–	–	–
Write off of fully amortized assets	(316)	(3,705)	–	(1,230)	(5,251)
Foreign currency translation loss/(gain)	236	368	8	77	689
December 31, 2018	\$ 8,527	\$ 14,777	\$ 332	\$ 7,688	\$ 31,324
Net Carrying Amount					
December 31, 2017	\$ 4,430	\$ 2,084	\$ 188	\$ 8,650	\$ 15,352
December 31, 2018	\$ 4,557	\$ 2,482	\$ 105	\$ 10,940	\$ 18,084

Loss on disposal of property and equipment of \$9 as at December 31, 2018 (December 31, 2017 – \$936) is reflected in other operating expenses on the Statement of Comprehensive Income.

NOTE 8: INTANGIBLE ASSETS

The following table presents the Company's intangible assets as at December 31, 2018 and December 31, 2017:

	ERP System	Client Relationships	Other	Total
Cost				
Balance at January 1, 2017	\$ 4,522	\$ 5,036	\$ 1,118	\$ 10,676
Additions	1,010	–	316	1,326
Foreign exchange translation gain	–	(250)	–	(250)
December 31, 2017	\$ 5,532	\$ 4,786	\$ 1,434	\$ 11,752
Additions	152	–	1,623	1,775
Foreign exchange translation loss	–	356	–	356
December 31, 2018	\$ 5,684	\$ 5,142	\$ 3,057	\$ 13,883
Accumulated Amortization				
Balance at January 1, 2017	\$ 227	\$ 1,963	\$ 814	\$ 3,004
Amortization	604	582	45	1,231
Foreign exchange translation gain	–	(122)	–	(122)
December 31, 2017	\$ 831	\$ 2,423	\$ 859	\$ 4,113
Amortization	581	583	310	1,474
Foreign exchange translation gain	–	207	–	207
December 31, 2018	\$ 1,412	\$ 3,213	\$ 1,169	\$ 5,794
Net Carrying Amount				
December 31, 2017	\$ 4,701	\$ 2,363	\$ 575	\$ 7,639
December 31, 2018	\$ 4,272	\$ 1,929	\$ 1,888	\$ 8,089

NOTE 9: INCOME TAXES

The major components of income tax expense includes the following:

	Year Ended December 31,	
	2018	2017
Current Tax Expense		
Current period	\$ 1,405	\$ 1,672
Provision to file/withholding taxes	176	291
	1,581	1,963
Deferred Tax Expense / (Recovery)		
Origination and reversal of temporary differences	5,190	5,078
Impact of US Tax Reform	–	1,430
Change in tax rates	(69)	(215)
Adjustment for prior periods	93	(655)
Change in unrecognized deductible temporary differences	908	(83)
	6,122	5,555
Total Tax Expense / (Recovery)	\$ 7,703	\$ 7,518

The provision for income taxes in the consolidated statement of comprehensive income represents an effective tax rate different than the Canadian enacted or substantively enacted statutory rate of approximately 26.5% (December 31, 2017 – 26.5%). The differences are as follows:

	Year Ended December 31,	
	2018	2017
Net income	\$ 20,491	\$ 11,372
Total tax expense/(recovery)	7,703	7,518
Net income before tax	\$ 28,194	\$ 18,890
Income tax using the Company's domestic tax rate	\$ 7,471	\$ 5,006
Income tax effect of:		
Non-deductible expenses	1,265	1,442
Change in deferred tax rates	(69)	(215)
Impact of US tax reform	–	1,430
(Gain)/Loss on financial derivative	(2,027)	1,008
Operating in jurisdictions with different tax rates	(32)	267
Change in unrecognized temporary differences	908	(83)
Prior period adjustments to current tax	87	(5)
Prior period adjustments to deferred tax	93	(655)
Withholding taxes	13	285
Recognition of previously unrecognized deferred tax asset	–	(867)
Other	(6)	(95)
Income Tax Expense / (Recovery)	\$ 7,703	\$ 7,518

The applicable tax rate is the aggregate of the Canadian Federal income tax rate of 15% (2017 – 15%) and the Provincial income tax rate of 11.5% (2017 – 11.5%).

The decrease in the effective 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.

Unrecognized Deferred Tax Liabilities

As at December 31, 2018, the Company has approximately \$18,386 (December 31, 2017 – \$17,736) of temporary differences associated with its investments in foreign subsidiaries for which no deferred taxes have been provided on the basis that the company is able to control the timing of the reversal of such temporary differences and that such reversal is not probable in the foreseeable future.

Unrecognized Deferred Tax Assets

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

	Year Ended December 31,	
	2018	2017 (restated) ¹
Deductible temporary differences	\$ 7,358	\$ 10,431
Tax losses – Federal	8,948	2,746
Tax losses – State	41,136	34,520
	\$ 57,442	\$ 47,697

¹ See Note 4 – Changes in Accounting Policies

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

	Year Ended December 31,	
	2018	2017 (restated) ¹
Deductible temporary differences	\$ 2,134	\$ 2,347
Tax losses – Federal	1,883	590
Tax losses – State	2,351	1,955
	\$ 6,368	\$ 4,892

¹ See Note 4 – Changes in Accounting Policies

Deferred tax assets are recognized for operating loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2018, the Company's affiliated entities have \$32,356 of Federal and \$41,136 of U.S State operating loss carry forwards (December 31, 2017 – \$30,369 and \$34,520 respectively) available for income tax purposes, which expire in the years 2023 through 2038. The ability of the Company to realize the tax benefits of the loss carry forwards is contingent on many factors, including the ability to generate future taxable profits in the jurisdictions in which the tax losses arose.

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

The tax effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases that give rise to significant portions of the deferred tax assets at December 31, 2018 and December 2017 are presented below.

Recognized Deferred Tax Assets And Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Year Ended December 31, 2018		
	Assets	Liabilities	Total
Property and equipment	\$ 825	\$ (1,230)	\$ (405)
Non-capital loss	5,014	–	5,014
Reserves	1,110	(3,949)	(2,839)
Financing costs	–	(181)	(181)
Intangible assets	2,902	(97)	2,805
Other	328	(39)	289
	\$ 10,179	\$ (5,496)	\$ 4,683

	Year Ended December 31, 2017		
	Assets (restated) ¹	Liabilities (restated) ¹	Total (restated) ¹
Property and equipment	\$ 1,071	\$ (866)	\$ 205
Non-capital loss	6,211	(2)	6,209
Reserves	3,814	(2,824)	990
Financing costs	259	–	259
Intangible assets	2,902	(141)	2,761
Other	57	(68)	(11)
	\$ 14,314	\$ (3,901)	\$ 10,413

¹ See Note 4 – Changes in Accounting Policies

NOTE 10: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. 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 \$15,676 (year ended December 31, 2017 – \$16,792). As at December 31, 2018, the amount payable to the Management Partnership were \$233 (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.

Compensation of Key Management Personnel

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

	Year Ended December 31,	
	2018	2017
Directors fees, salaries and other short-term employee benefits	\$ 3,999	\$ 3,692
Share-based compensation	1,372	1,178
Total Compensation	\$ 5,371	\$ 4,870

NOTE 11: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2018, the Company's common share capital consisted of 31,220,877 shares issued and outstanding (December 31, 2017 – 31,190,153 shares).

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such 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, although the holder also holds an equal number of non-participating voting shares in the Company. The Class B partnership units have been recorded as a non-controlling interest in 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.

Earnings Per Share

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

For the purposes of calculating diluted earnings per share, any impact of the stock options are included in the calculation of net income per common share or weighted average number of common shares outstanding.

	Year Ended December 31,	
	2018	2017
Net income	\$ 20,491	\$ 11,372
Net income attributable to common shareholders	\$ 17,059	\$ 9,465
Weighted average common shares outstanding	31,218	31,190
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	503	385
Diluted Weighted Average Common Shares Outstanding	38,003	37,857
Basic earnings per common share	\$ 0.55	\$ 0.30
Diluted Earnings Per Common Share	\$ 0.54	\$ 0.30

(b) NON-CONTROLLING INTEREST

Non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the consolidated statement of changes in equity for the year ended December 31, 2018 and 2017.

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

	Year Ended December 31,	
	2018	2017
Net income	\$ 20,491	\$ 11,372
Non-controlling interest share of ownership	16.75%	16.77%
Net Income Attributable to Non-controlling Interest	\$ 3,432	\$ 1,907

	Year Ended December 31,	
	2018	2017
Total comprehensive income	\$ 26,778	\$ 7,854
Non-controlling interest share of ownership	16.75%	16.77%
Total Comprehensive Income Attributable to Non-controlling Interest	\$ 4,485	\$ 1,317

NOTE 12: FINANCIAL RISK MANAGEMENT

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

(a) MARKET RISK

Interest Rate Risk

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

If the interest rate on the Company's variable rate loan balance as at 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 \$281.

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 \$158 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 \$Nil for the year ended December 31, 2018.

(b) CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of

the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At December 31, 2018 there were 63 working days of revenue in accounts receivable, compared to 62 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.

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

	As at	
	December 31, 2018	December 31, 2017 <i>(restated)</i> ¹
Current	\$ 40,327	\$ 42,780
30 to 90 days	40,451	38,405
Over 90 days	44,166	35,014
Gross accounts receivable	124,944	116,199
Allowance for impairment losses	(10,148)	(8,970)
Total	\$ 114,796	\$ 107,229

¹ See Note 4 – Changes in Accounting Policies

Changes in the allowance for impairment losses were as follows, for fiscal years:

	2018	2017 <i>(restated)</i>
Balance at beginning of year	\$ (8,970)	\$ (9,564)
Allowance for impairment loss	(1,247)	(1,680)
Amounts written-off	559	1,916
Effect of foreign currency exchange rate changes	(490)	358
Balance at End of Year	(10,148)	(8,970)

Impairment loss provision of contract assets is determined by applying a weighted average loss rate based on the Company's historical experience and informed credit assessment. The weighted average loss rate as at January 1, 2018 was 1.47% on contract assets for an impairment loss of \$948. As at December 31, 2018, the Company determined a weighted average loss rate of 1.61% on contract assets increasing the impairment loss provision to \$1,098.

(c) LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities (as described in Note 6 – Financial Instruments) and access to capital markets.

On September 27, 2018, IBI Group signed an amendment to refinance its credit facilities with its senior lenders. (refer to Note 6 – Financial Instruments).

As at December 31, 2018, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S \$2,300, which is equal to CAD \$3,190 (December 31, 2017 – CAD \$2,936). The Company has pledged U.S \$2,300 (December 31, 2017 – U.S \$2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at December 31, 2018, the Company has letters of credit outstanding to foreign institutions of \$253 (December 31, 2017 – \$517).

The Company has the following contractual obligations as at December 31, 2018:

	Year Ended December 31, 2018				
	Carrying Amount	2019	2020 and 2021	2022 and 2023	2024 and Beyond
Accounts payable and accrued liabilities	\$ 39,640	\$ 39,640	\$ –	\$ –	\$ –
Credit facilities	75,548	–	–	76,389	–
Interest on credit facilities	–	4,129	8,258	3,054	–
Convertible debentures	37,213	–	46,000	–	–
Interest on convertible debentures	–	2,530	5,060	–	–
Finance lease obligation	31	31	–	–	–
Total Obligations	\$ 152,432	\$ 46,330	\$ 59,318	\$ 79,443	\$ –

(d) CAPITAL MANAGEMENT

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

The Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA¹ threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with the credit facility covenants as at December 31, 2018.

(e) FAIR VALUE MEASUREMENTS

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

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

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

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

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2018 and December 31, 2017.

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Year Ended December 31,	
	2018	2017
Accounts receivable	\$ (5,931)	\$ (5,966)
Contract assets	(2,554)	6,672
Prepaid expenses and other assets	1,884	(3,041)
Accounts payable and accrued liabilities	(11,624)	(5,125)
Contract liabilities	(4,140)	(5,866)
Net income taxes payable	2,584	(1,821)
Change in Non-cash Operating Working Capital	\$ (19,781)	\$ (15,147)

NOTE 14: COMMITMENTS

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

2019	\$ 20,347
2020	\$ 18,692
2021	\$ 17,413
2022	\$ 15,689
2023	\$ 12,217
Thereafter	\$ 32,863

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

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

	Year Ended December 31,	
	2018	2017
Lease expense	\$ 26,787	\$ 25,809
Onerous lease provision	(3,426)	1,991
Sublease income	(1,741)	(2,098)
Total Rent Expense	\$ 21,620	\$ 25,702

NOTE 15: FINANCE COSTS

	Year Ended December 31,	
	2018	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

NOTE 16: DEFERRED SHARE PLAN

The Company offers a deferred share plan (“DSP”) for independent members of the Board of Directors (“Board”). Under the DSP, directors of the Company may elect to allocate all or a portion of their annual compensation in the form of deferred shares rather than cash. These shares are fully vested upon issuance and are recorded as a financial liability at FVTPL in the consolidated statement of financial position amounting to \$1,680. Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2018, the Company granted 98,792 deferred shares (December 31, 2017 – 70,278) and redeemed 62,697 deferred shares (December 31, 2017 – 123,641), for a total of 385,498 deferred shares outstanding as at December 31, 2018 (December 31, 2017 – 349,403). Compensation expense for the year ended December 31, 2018 related to the deferred shares was an expense reversal of \$647 (December 31, 2017 – an expense of \$1,333). There is no unrecognized compensation expense related to deferred shares, since these awards vest immediately when granted.

The table below shows the DSP transactions for the year ended December 31, 2018:

	# Deferred Shares	Fair Value
Balance, January 1, 2018	349,403	\$ 2,848
Deferred shares issued	98,792	586
Deferred shares redeemed	(62,697)	(520)
Change in fair value due to share price	–	(1,233)
Balance, December 31, 2018	385,498	1,681

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

	# Deferred Shares	Fair Value
Balance, January 1, 2017	402,766	\$ 2,360
Deferred shares issued	70,278	505
Deferred shares redeemed	(123,641)	(846)
Change in fair value due to share price	–	829
Balance, December 31, 2017	349,403	\$ 2,848

NOTE 17: SHARE-BASED COMPENSATION

EQUITY SETTLED TRANSACTIONS

STOCK OPTIONS

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

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

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

Grant Date	Options Issued	Fair Value at Grant Date	Share Price at Grant Date	Exercise Price	Expected Volatility (Weighted Average)	Expected Life (Weighted Average)	Expected Dividends	Risk-free Interest Rate
January 15, 2016	535,000	\$ 1.14 – 1.17	\$ 2.13	\$ 2.33	60.2 – 64.2%	5.5 – 6.5 years	0%	0.64 – 0.81%
May 25, 2016	99,213	\$ 2.63 – 6.67	\$ 4.53	\$ 4.49	62.3 – 66.9%	5.5 – 6.5 years	0%	0.86 – 0.99%
May 12, 2017	69,107	\$ 4.31 – 4.39	\$ 7.30	\$ 7.01	62.8 – 67.1%	5.5 – 6.5 years	0%	1.07 – 1.20%
July 17, 2017	316,500	\$ 3.88 – 3.97	\$ 6.63	\$ 6.63	62.8 – 67.0%	5.5 – 6.5 years	0%	1.55 – 1.64%
August 9, 2017	77,315	\$ 3.97 – 4.05	\$ 6.77	\$ 6.79	62.8 – 67.0%	5.5 – 6.5 years	0%	1.57 – 1.66%
March 20, 2018	71,942	\$ 4.26 – 4.37	\$ 7.24	\$ 7.24	62.7 – 66.6%	5.5 – 6.5 years	0%	2.00 – 2.03%
May 9, 2018	69,500	\$ 4.56 – 4.66	\$ 7.65	\$ 7.49	62.4 – 66.6%	5.5 – 6.5 years	0%	2.22 – 2.26%

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

For the years ended December 31, 2018 and December 31, 2017, the Company has recognized an expense of \$1,224 and \$810, respectively in salaries, fees and employee benefits for stock options in the consolidated statement of income and comprehensive income.

The following stock option arrangements were in existence as at December 31, 2018:

Grant Date	Expiry Date	Options Issued	Options Exercised	Options Cancelled/ Forfeited	Options Outstanding	Options Exercisable	Exercise Price	Fair Value at Grant Date
15-Jan-16	15-Jan-26	535,000	5,000	22,500	507,500	338,333	\$ 2.33	\$ 618,816
25-May-16	25-May-26	99,213	–	–	99,213	66,142	\$ 4.49	\$ 262,253
16-May-17	16-May-27	69,107	–	–	69,107	23,036	\$ 7.01	\$ 300,846
17-Jul-17	17-Jul-27	316,500	–	2,000	314,500	104,833	\$ 6.63	\$ 1,245,954
9-Aug-17	9-Aug-27	77,315	–	–	77,315	25,772	\$ 6.79	\$ 310,550
20-Mar-18	20-Mar-28	71,942	–	–	71,942	–	\$ 7.24	\$ 310,550
9-May-18	9-May-28	69,500	–	–	69,500	–	\$ 7.49	\$ 320,627
		1,238,577	5,000	24,500	1,209,077	558,116	\$ 4.77	\$ 3,369,596

For the year ended December 31, 2018, 141,442 options were issued (2017 – 462,922), 1,666 options were exercised (2017 – 3,334), and 9,500 options were cancelled/forfeited (2017 – 15,000).

Performance Share Units

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

For the years ended December 31, 2018 and December 31, 2017, the Company recognized an expense of \$147 and \$103, respectively in salaries, fees and employee benefits for PSUs in the consolidated statement of income and comprehensive income.

NOTE 18: CONTINGENCIES

(a) LEGAL MATTERS

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

(b) INDEMNIFICATIONS

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

**NOTE 19:
ACQUISITIONS**

On May 18, 2018, the Company entered into an asset purchase agreement with Green Owl Solutions Inc. and GreenOwl Mobile, Inc. to purchase the intellectual property rights of various mobile applications for \$450, which is to be paid over a three year period. The agreement provides for additional consideration of up to \$1,800 to be paid based on the achievement of certain future performance metrics of the business acquired. This acquisition has been recorded as a business combination given the asset acquired with the processes assumed meets the definition of a business combination in accordance with IFRS 3 Business Combination. The significant asset acquired is the intellectual property that has been recorded as an intangible asset with an amortization period of three years. There is no working capital or any other liabilities assumed.

**NOTE 20:
INVESTMENT IN EQUITY ACCOUNTED INVESTEE**

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

For the year ended December 31, 2018, the Company made \$nil investment contributions in the China operations (December 31, 2017 – \$348), and recognized \$nil in relation to its share of the losses on the investment as it has fully been written off in the prior year (December 31, 2017 – \$348).

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 EBITDA¹ 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.

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%

¹ See “Definition of Non-IFRS Measures”.

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 EBITDA¹ 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 EBITDA¹ 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 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 EBITDA¹ 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 EBITDA¹ 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

¹ See "Definition of Non-IFRS Measures".

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:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	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 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.

	Three Months Ended December 31,		Year Ended December 31,	
	2018 (unaudited)	2017 (unaudited)	2018	2017
<i>(thousands of Canadian dollars, except per share amounts)</i>				
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:

<i>(unaudited)</i>	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 EBITDA¹ 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.

¹ See "Definition of Non-IFRS Measures".

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

	Year Ended December 31,	
	2018	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

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:

<i>(in thousands of Canadian dollars) (unaudited)</i>	Three Months Ended December 31,			Foreign Exchange Impact	Operating Change
	2018	2017	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)

<i>(in thousands of Canadian dollars) (unaudited)</i>	Year Ended December 31,			Foreign Exchange Impact	Operating Change
	2018	2017	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
<i>(in thousands of Canadian dollars, except per share amounts)</i>			<i>(restated)¹</i>
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
	<i>(in thousands of Canadian dollars)</i>		<i>(restated)¹</i>
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 EBITDA¹

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹. The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) in each of the following quarters.

ADJUSTED EBITDA² 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.

¹ See "Changes in Accounting Policies"

² See "Definition of Non-IFRS Measures"

ADJUSTED EBITDA¹ FOR THE PREVIOUS EIGHT QUARTERS

(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 EBITDA¹	8,162	10,153	9,080	9,143	7,643	11,062	11,750	10,160
Adjusted EBITDA¹ 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:

<i>(in thousands of Canadian dollars) (unaudited)</i>	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 EBITDA¹ table.

iii. ADJUSTED EBITDA¹

Adjusted EBITDA¹ was \$8.2 million for the three months ended December 31, 2018 compared to \$7.6 million for the same period in 2017. Adjusted EBITDA¹ 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 EBITDA¹ table above for the changes in the factors which affect the balance period over period.

During the 2018 period, the reduction to adjusted EBITDA¹ 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 EBITDA¹ 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 EBITDA¹.

¹ See "Definition of Non-IFRS Measures".

SEGMENTED ADJUSTED EBITDA¹

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					Total
	Canada	United States	United Kingdom	Other International	Unallocated Corporate Costs ²	
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

¹ See "Definition of Non-IFRS Measures".

² Unallocated corporate costs represent costs not associated with a particular operating segment and are borne 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.

	Year Ended December 31, 2018					Total
	Canada	United States	United Kingdom	Other International	Unallocated Corporate Costs ²	
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

	Three Months Ended December 31, 2017					Total
	Canada	United States	United Kingdom	Other International	Unallocated Corporate Costs ²	
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 ¹	\$ 5,329	\$ (1,938)	\$ 768	\$ 3,484	\$ –	\$ 7,643
Items excluded in calculation of Adjusted EBITDA ¹ :						
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)

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.

	Year Ended December 31, 2017					Total
	Canada	United States	United Kingdom	Other International	Unallocated Corporate Costs ²	
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 ¹	\$ 30,775	\$ 1,696	\$ 1,173	\$ 6,971	\$ –	\$ 40,615
Items excluded in calculation of Adjusted EBITDA ¹ :						
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

Adjusted EBITDA¹ 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 EBITDA¹ 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 EBITDA¹ 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:

	December 31, 2018	December 31, 2017	Change
<i>(in thousands of Canadian dollars)</i>		<i>(Restated)</i>	
Current assets	\$ 208,324	\$ 200,411	\$ 7,913
Current liabilities	(83,605)	(97,687)	14,082
Working Capital	124,719	102,724	21,995

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.

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 BILLING¹

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

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

Working Days of Gross Billings Outstanding¹ <i>(unaudited)</i>	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017 <i>(restated)</i>
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

¹ See "Definition of Non-IFRS Measures".

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

<i>(in millions of Canadian dollars)</i>	December 31, 2018	September 30, 2018 <i>(unaudited)</i>	June 30, 2018 <i>(unaudited)</i>	March 31, 2018 <i>(unaudited)</i>	December 31, 2017 <i>(restated)</i>
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) <i>(in thousands of Canadian dollars)</i>	December 31, 2018	%	September 30, 2018 <i>(unaudited)</i>	%	June 30, 2018 <i>(unaudited)</i>	%	March 31, 2018 <i>(unaudited)</i>	%	December 31, 2017 <i>(restated)</i>	%
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:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	Three Months Ended December 31,		
	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)

<i>(In thousands of Canadian dollars)</i>	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:

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

Previous facility interest margins:

Level	R is the Leverage Ratio	Applicable Margin		
		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 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 <i>(in millions of Canadian dollars)</i> <i>(unaudited)</i>	Payment Due by Period				
	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.

<i>As at January 1, 2017</i>	Impact of Changes in Accounting Policy		
<i>(thousands of Canadian dollars)</i>	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

<i>As at December 31, 2017</i>	Impact of Changes in Accounting Policy		
<i>(thousands of Canadian dollars)</i>	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.

(in thousands of Canadian dollars)	As at December 31, 2018				
	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 MEASUREMENT 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.

<i>(thousands of Canadian dollars)</i>	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 & 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.

<i>(thousands of Canadian dollars)</i>	Gross Carrying Amount <i>(restated)</i>	Weighted-average Loss Rate	Loss Allowance	Credit-impaired
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.

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PG. 7 GROWING CITIES AND TECH HUBS

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We Are Where the Growth Is: Global Tech Hubs Report (CB Insights: May 20, 2018) <https://www.cbinsights.com/research/report/global-tech-hubs/>

PG. 8 NEW ECOSYSTEMS, NEW OPPORTUNITIES

Evolutionary to Revolutionary: Mehta, K., Mr. (2016, May 11). Majesco Investor Day. Retrieved February 28, 2019, from [https://www.streetinsider.com/SEC Filings/Form 8-K Majesco For: May 11/11617306.html](https://www.streetinsider.com/SEC+Filings/Form+8-K+Majesco+For+May+11/11617306.html)

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President, IBI Group

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Chair of the Governance and
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and Compensation Committee

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Member of the Governance
and Compensation Committee

Detailed biographies of Board Members
are available in the Annual Information
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David Thom
President

Stephen Taylor
CFO

Derek Sims
Global Director, Intelligence

Mansoor Kazerouni
Global Director, Buildings

Carl Clayton
Global Director, Infrastructure

SHAREHOLDER INFORMATION

Transfer Agent
AST Trust Company
Toronto, ON, Canada

Auditors
KPMG LLP
Toronto, ON, Canada

Principal Bank
Toronto Dominion Bank

Securities Exchange Listing
IBI Group shares are traded on
the Toronto Stock Exchange
under the symbol IBG.

Investor Relations
5 Quarters Investor Relations, Inc.

Annual Meeting
May 10, 2019
10:00am ET
IBI Group
55 St. Clair Avenue West
Toronto, ON M4V 2Y7 Canada

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visit ibigroup.com/contact-us/

COMMON SHARES TRADE AS IBG
5.5% DECEMBER 31, 2021 DEBENTURES WITH A \$8.35 CONVERSION PRICE TRADE AS IBG.DB.D

All amounts in this report are presented in Canadian Dollars (CAD).



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ABOUT THIS PUBLICATION

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