



IBI Group 2019 Third-Quarter Financial Statements

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019 AND 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

<i>(thousands of Canadian dollars)</i>	NOTES	SEPTEMBER 30, 2019	DECEMBER 31, 2018 <i>(as adjusted note 2(c))</i>
ASSETS			
Current Assets			
Cash	5(c)	\$ 11,093	\$ 9,460
Accounts receivable	5(c),8	112,542	114,796
Contract assets	4	69,751	61,893
Prepaid expenses and other current assets	3	16,579	15,276
Lease receivable	3,5(c)	1,674	–
Income taxes recoverable		868	505
Total Current Assets		\$ 212,507	201,930
Restricted cash	5(c),8	3,087	3,190
Other assets		300	300
Property and equipment		22,059	18,084
Intangible assets		9,893	8,089
Lease receivable	3,5(c)	5,767	–
Right-of-use assets	3	67,497	–
Deferred tax assets		9,273	10,179
TOTAL ASSETS		\$ 330,383	241,772
LIABILITIES AND DEFICIT			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	3,5(c),8	36,078	39,671
Contract liabilities	4,5(c),8	37,219	40,394
Income taxes payable		1,621	1,999
Lease liability	3,5(c)	13,998	–
Purchase obligation – current		490	–
Onerous lease provisions	3	–	1,541
Total Current Liabilities		\$ 89,406	83,605
Onerous lease provisions		–	312
Credit facilities	5(a)	72,386	75,548
Convertible debentures	5(b)	39,102	37,213
Lease liability	3,5(c)	69,832	–
Other financial liabilities	5(b)	3,547	3,994
Purchase obligation		1,241	–
Deferred tax liabilities		5,020	3,833
TOTAL LIABILITIES		\$ 280,534	204,505
EQUITY			
Shareholders' Equity			
Share capital	7	279,975	279,926
Capital reserve	7	3,910	2,731
Contributed surplus	7	7,958	7,958
Deficit		(250,483)	(262,935)
Accumulated other comprehensive loss		(4,998)	(1,998)
Total Shareholders' Equity		\$ 36,362	25,682
Non-controlling interest	7	13,487	11,585
TOTAL EQUITY		\$ 49,849	37,267
TOTAL LIABILITIES AND EQUITY		\$ 330,383	241,772

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

(thousands of Canadian dollars, except per share amounts)	NOTES	THREE MONTHS ENDED		NINE MONTHS ENDED	
		SEPTEMBER 30, 2019	SEPTEMBER 30, 2018	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
Revenue					
Gross Revenue		\$ 114,821	\$ 112,467	\$ 346,255	\$ 338,736
Less: Subconsultants and direct costs		20,201	20,448	61,082	62,823
NET REVENUE		\$ 94,620	\$ 92,019	\$ 285,173	\$ 275,913
Expenses					
Salaries, fees and employee benefits	6,13	64,732	64,848	197,539	196,079
Base rent	3	-	3,297	-	9,167
Variable lease expense	3	1,940	2,327	6,624	7,360
Other operating expenses		10,589	10,303	33,252	31,179
Foreign exchange loss	8(a)	72	591	1,353	2,575
Amortization of intangible assets		525	432	1,479	1,056
Depreciation of property and equipment		1,313	1,084	3,719	3,201
Depreciation of right-of-use assets	3	3,207	-	9,638	-
Change in fair value of other financial liabilities	5(b)	(2,171)	(4,661)	(447)	(8,100)
Impairment (reversal) of financial assets	8	903	(239)	1,910	603
Impairment (reversal) of right-of-use assets	3	(126)	-	268	-
		80,984	77,982	255,335	243,120
OPERATING INCOME		\$ 13,636	\$ 14,037	\$ 29,838	\$ 32,793
Interest expense, net	3,8,10	3,177	3,971	9,396	8,790
Other finance costs	10	225	328	604	893
FINANCE COSTS		\$ 3,402	\$ 4,299	\$ 10,000	\$ 9,683
NET INCOME BEFORE TAX		\$ 10,234	\$ 9,738	\$ 19,838	\$ 23,110
Current tax expense	14	418	824	2,878	2,089
Deferred tax expense	14	1,126	893	2,003	4,216
INCOME TAXES		\$ 1,544	\$ 1,717	\$ 4,881	\$ 6,305
NET INCOME		\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
OTHER COMPREHENSIVE INCOME					
Items that are or may be reclassified to profit or loss					
Gain (loss) on translating financial statements of foreign operations		346	(2,212)	(3,603)	1,589
OTHER COMPREHENSIVE INCOME (LOSS)		346	(2,212)	(3,603)	1,589
TOTAL COMPREHENSIVE INCOME		\$ 9,036	\$ 5,809	\$ 11,354	\$ 18,394
NET INCOME ATTRIBUTABLE TO:					
Common shareholders		7,235	6,677	12,452	13,990
Non-controlling interests	7	1,455	1,344	2,505	2,815
NET INCOME		\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Common shareholders		7,522	4,837	9,452	15,313
Non-controlling interests	7	1,514	972	1,902	3,081
TOTAL COMPREHENSIVE INCOME		9,036	5,809	11,354	18,394
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic earnings per share	7	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.45
Diluted earnings per share	7	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.44

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

		THREE MONTHS ENDED		NINE MONTHS ENDED	
		SEPTEMBER	SEPTEMBER	SEPTEMBER	SEPTEMBER
	NOTES	30, 2019	30, 2018	30, 2019	30, 2018
<i>(thousands of Canadian dollars)</i>					
CASH FLOWS PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
Net income		\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
Items not affecting cash:					
Onerous lease provision	3	-	(611)	-	(2,559)
Depreciation of property and equipment		1,313	1,084	3,719	3,201
Amortization of intangible assets		525	432	1,479	1,056
Depreciation of right of use assets	3	3,207	-	9,638	-
Amortization of deferred financing costs	10	114	133	343	404
Impairment (reversal) of financial assets	8	903	(239)	1,910	603
Impairment (reversal) of right of use assets		(126)	-	268	-
Foreign exchange loss	8	72	591	1,353	2,575
Interest expense, net	3,10	3,177	3,971	9,396	8,790
Deferred tax expense	14	1,126	893	2,003	4,216
Share based compensation	13	310	308	1,179	1,049
Deferred share units issued		117	140	327	428
Change in fair value of deferred share units		(61)	(832)	184	(1,151)
Loss on disposal of property and equipment		-	10	46	10
Change in fair value of other financial liabilities	5(b)	(2,171)	(4,661)	(447)	(8,100)
Interest paid		(3,132)	(2,763)	(6,877)	(3,974)
Income taxes received (paid)		(797)	1,089	(2,361)	47
Change in non-cash operating working capital	9	(4,956)	5,217	(15,278)	(12,123)
NET CASH FLOWS PROVIDED BY		\$ 8,311	\$ 12,783	\$ 21,839	\$ 11,277
OPERATING ACTIVITIES					
CASH FLOWS PROVIDED BY (USED IN)					
FINANCING ACTIVITIES					
Draws (Payments) on principal of credit facilities	5(a)	(2,120)	8,592	(3,025)	10,655
Redemption of convertible debentures		-	(14,755)	-	(14,755)
Deferred financing costs	5(a)	-	(222)	(84)	(280)
Payment of lease liabilities	3	(2,792)	(5)	(7,998)	(26)
Proceeds from shares issued	7	34	(3)	49	4
NET CASH FLOWS USED IN		\$ (4,878)	\$ (6,393)	\$ (11,058)	\$ (4,402)
FINANCING ACTIVITIES					
CASH FLOWS PROVIDED BY (USED IN)					
INVESTING ACTIVITIES					
Purchase of property and equipment		(3,032)	(1,760)	(7,947)	(5,181)
Purchase of intangible assets		(996)	(721)	(1,736)	(1,245)
NET CASH FLOWS USED IN		\$ (4,028)	\$ (2,481)	\$ (9,683)	\$ (6,426)
INVESTING ACTIVITIES					
Effects of currency translation on cash and cash equivalents	8	519	(216)	535	(184)
NET INCREASE (DECREASE) IN CASH		\$ (76)	\$ 3,693	\$ 1,633	\$ 265
Cash, beginning of period		11,169	6,405	9,460	9,833
CASH, END OF PERIOD		\$ 11,093	\$ 10,098	\$ 11,093	\$ 10,098

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

(unaudited)

	NOTES	THREE MONTHS ENDED		NINE MONTHS ENDED	
		SEPTEMBER	SEPTEMBER	SEPTEMBER	SEPTEMBER
		30, 2019	30, 2018	30, 2019	30, 2018
<i>(thousands of Canadian dollars)</i>					
		<i>(as adjusted note 2(c))</i>	<i>(as adjusted note 2(c))</i>	<i>(as adjusted note 2(c))</i>	<i>(as adjusted note 2(c))</i>
SHARE CAPITAL					
Share capital, beginning of period		\$ 279,941	\$ 279,926	\$ 279,926	\$ 279,679
Shares issued	7	34	-	49	247
SHARE CAPITAL, END OF PERIOD		\$ 279,975	\$ 279,926	\$ 279,975	\$ 279,926
CAPITAL RESERVE					
Capital reserve, beginning of period		\$ 3,600	\$ 2,103	\$ 2,731	\$ 1,362
Stock options granted	13	210	277	707	972
Stock options exercised	13	(11)	-	(16)	(2)
Performance share units granted	13	111	31	488	79
CAPITAL RESERVE, END OF PERIOD		\$ 3,910	\$ 2,411	\$ 3,910	\$ 2,411
CONTRIBUTED SURPLUS					
Contributed surplus, beginning of period		\$ 7,958	\$ 7,397	\$ 7,958	\$ 7,397
Conversion of 7% debentures		-	561	-	561
CONTRIBUTED SURPLUS, END OF PERIOD		\$ 7,958	\$ 7,958	\$ 7,958	\$ 7,958
DEFICIT					
Deficit, beginning of period, as reported		\$ (252,987)	\$ (267,950)	\$ (258,204)	\$ (275,263)
Adjustments from prior period	2(c)	(4,731)	(4,731)	(4,731)	(4,731)
Deficit, beginning of period, as adjusted	2(c)	\$ (257,718)	\$ (272,681)	\$ (262,935)	\$ (279,994)
Net income attributable to common shareholders		7,235	6,677	12,452	13,990
DEFICIT, END OF PERIOD		\$ (250,483)	\$ (266,004)	\$ (250,483)	\$ (266,004)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT					
Convertible debentures, beginning of period	5(b)	\$ -	\$ 561	\$ -	\$ 561
Conversion of 7% debentures		-	(561)	-	(561)
CONVERTIBLE DEBENTURES, END OF PERIOD		\$ -	\$ -	\$ -	\$ -
ACCUMULATED OTHER COMPREHENSIVE LOSS					
Accumulated other comprehensive loss, beginning of period		\$ (5,285)	\$ (4,069)	\$ (1,998)	\$ (7,232)
Other comprehensive income (loss) attributable to common shareholders		287	(1,840)	(3,000)	1,323
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		\$ (4,998)	\$ (5,909)	\$ (4,998)	\$ (5,909)
TOTAL SHAREHOLDERS' EQUITY		\$ 36,362	\$ 18,382	\$ 36,362	\$ 18,382
NON-CONTROLLING INTEREST					
Non-controlling interest, beginning of period		\$ 11,973	\$ 9,209	\$ 11,585	\$ 7,100
Total comprehensive income attributable to non-controlling interests	7	1,514	972	1,902	3,081
NON-CONTROLLING INTEREST, END OF PERIOD		\$ 13,487	\$ 10,181	\$ 13,487	\$ 10,181
TOTAL EQUITY, END OF PERIOD		\$ 49,849	\$ 28,563	\$ 49,849	\$ 28,563

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars, except per share and share amounts)

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

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

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership ("IBI Group"), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at September 30, 2019, the Company's common share capital consisted of 31,235,044 (December 31, 2018 – 31,220,877) issued and outstanding shares. Each common 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 common 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 number of outstanding common shares as at September 30, 2019 would be 37,517,266 (December 31, 2018 – 37,503,099). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 35.7% of the voting shares as at September 30, 2019 (December 31, 2018 – 35.6%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at September 30, 2019:

	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	16.74%
Common shares held by the Management Partnership and affiliated partnerships	7,105,910	18.94%

Through IBI Group, the Company is a global design and technology firm, who provides 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 and technology services related to these three main areas of development.

IBI GROUP INC.**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(in thousands of Canadian dollars, except per share and share amounts)

The table below summarizes the trading symbols of the Company's securities which are listed on the Toronto Stock Exchange ("TSX") as at September 30, 2019:

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 unaudited interim condensed consolidated financial statements ("interim financial statements") of the Company and its subsidiaries have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and accounting policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2018 other than those described in (c) below. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2018.

On January 1, 2019, the Company adopted and applied IFRS 16. Changes to significant accounting policies are described in Note 3.

These interim financial statements were approved and authorized for issue by the Company's Board of Directors on November 7, 2019.

(b) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The significant judgements made by management in applying the Company's policies and key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 3.

(c) CORRECTION OF NON-MATERIAL ERRORS IN PRIOR PERIODS

As part of the implementation of the Company's ERP system that began in 2015, the Company was able to utilize the functionality in the new ERP system that tracks projects in the respective functional and transactional currency. Upon conversion of data from previous multiple accounting systems to the new ERP system, it was determined that certain non-cash foreign exchange translation created immaterial balances of contract assets that are in excess of the amounts to ultimately be realized on the respective projects. Management has corrected the effect of these prior period immaterial differences by adjusting opening retained earnings of the comparative period. Adjustments have been made to contract assets, deferred tax liabilities, and opening retained earnings as at January 1, 2018. These adjustments do not affect net earnings or Adjusted EBITDA¹ over the financial statement periods presented. The adjustment to opening retained earnings is a decrease of \$4,731 net of tax.

	Impact of adjustments		
	December 31, 2017	Decrease	January 1, 2018
Contract assets	\$ 64,579	\$ (6,394)	\$ 58,185
Deferred Tax liabilities	3,901	(1,663)	2,238
Deficit	(275,263)	(4,731)	(279,994)

(d) FUTURE ACCOUNTING POLICIES
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 the 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 with earlier application permitted. The extent of the impact of the change has not yet been determined.

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; IFRS lease accounting adjustments; 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.

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 3: CHANGES IN ACCOUNTING POLICIES*IFRS 16 LEASES*

(a) DEFINITION OF A LEASE

If a contract gives right to control the use of an identified asset for a period of time in exchange for consideration the Company will establish a right of use asset and lease liability. The 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.

The Company has adopted IFRS 16 as at January 1, 2019, using the modified retrospective method upon transition with no restatement of comparative financial information. The Company recognized 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.

(b) APPLICATION BY LESSEE

As a lessee, the Company previously classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company adopts the method of recognizing leases on-balance sheet, by setting up a right-of-use asset and lease liabilities for most of its leases.

The Company will apply the following transitional practical expedients:

- Exclude leases of low dollar value assets and leases with a remaining term of less than 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*.
- Exclude initial direct costs from measuring the right-of-use asset at the date of transition.
- Use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company's right-of-use assets presented as a separate line item on the statement of financial position includes real estate leases for office space, equipment leases and vehicle leases. The Company applied a provision against the initial recognition of the right-of-use asset of real estate leases to account for the contract that was determined to be onerous prior to January 1, 2019. This adjustment

IBI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars, except per share and share amounts)

is applied against the right-of-use asset as at January 1, 2019, therefore the prior period balance of the onerous lease is presented separately on the statement of financial position. Assets presented as right-of-use were previously classified off-balance sheet as operating leases under IAS 17.

Similarly, the obligation of monthly lease payments recognized as a lease liability includes lease payments related to base rent of office space and equipment. Vehicle lease payments include non-lease components in the determination of lease liability. Under IAS 17, monthly lease payments were recorded as an expense to the statement of profit and loss.

The Company has applied judgement to determine the incremental borrowing rate and the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

(c) TRANSITION IMPACT

The following table represents the impact on January 1, 2019 upon adoption of IFRS 16:

	Impact of changes in accounting policy		
	December 31, 2018	Increase / (Decrease)	January 1, 2019
Right-of-use assets	\$ -	\$ 74,661	\$ 74,661
Lease receivable	-	7,072	7,072
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets (as adjusted note 2 (c))	\$ 241,772	\$ 80,636	\$ 322,408
Accounts payable and accrued liabilities	\$ 39,671	\$ (2,611)	\$ 37,060
Lease liabilities	-	85,100	85,100
Onerous lease provision	1,853	(1,853)	-
Total Liabilities (as adjusted note 2 (c))	\$ 204,505	\$ 80,636	\$ 285,141

The following table represents the carrying value of the right-of-use assets as at January 1, 2019 and September 30, 2019:

	Right-of-Use Assets			
	Real Estate Lease	Equipment	Vehicles	Total
Balance as at January 1, 2019	\$ 72,532	\$ 1,931	\$ 198	\$ 74,661
Additions	5,258	192	-	5,450
Allocation to lease receivable due to new sublease agreements	(1,330)	-	-	(1,330)
Depreciation	(8,951)	(640)	(47)	(9,638)
Impairment	(268)	-	-	(268)
Foreign exchange gain (loss)	(1,352)	(43)	17	(1,378)
Balance as at September 30, 2019	\$ 65,889	\$ 1,440	\$ 168	\$ 67,497

The following table represents the total lease commitments as disclosed in the December 31, 2018 annual audited consolidated financial statements as well as the comparative lease liability under IFRS 16 net of exemptions taken:

IBI GROUP INC.NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars, except per share and share amounts)

	January 1, 2019	
Operating lease commitment at December 31, 2018 as disclosed in the Company's annual consolidated financial statements	\$	117,221
Weighted-average incremental borrowing rate		5.15%
Discounted using the incremental borrowing rate at January 1, 2019	\$	87,847
Less: Recognition exemption for leases of low value assets		(1,455)
Less: Recognition exemption for leases with less than 12 months of remaining lease term at transition		(1,292)
Lease liabilities recognized at January 1, 2019	\$	85,100

The application of IFRS 16 on leases that were previously classified as operating leases resulted in the Company to recognize right-of-use assets of \$74,661, and lease liability of \$85,100. The following table provides a reconciliation of right-of-use assets and lease liabilities at date of transition as at January 1, 2019:

Right-of-use asset / Lease liability reconciliation (Add / (Deduct))		
Right-of-use asset	\$	74,661
Lease receivable		7,072
Accrued liabilities		2,611
Onerous lease		1,853
Prepaid Assets		(1,097)
Lease liability	\$	85,100

As a result of adopting IFRS 16 at January 1, 2019 with the practical expedient applied, the Company reclassified the onerous lease provision at December 31, 2018 as a reduction to the right-of-use-asset. In addition, the Company as a lessor concluded the sub-lease was a finance lease, which resulted in a lease receivable that will be recovered over the remaining lease period.

(d) PERIOD IMPACT

During the period for the three and nine months ended September 30, 2019, the Company recognized on the statement of profit and loss depreciation expenses on its right-of-use assets of \$3,207 and \$9,638, respectively, and net interest expense on its lease liabilities and receivables of \$990 and \$2,953, respectively.

NOTE 4: SEGMENT INFORMATION

The Company is a global design and technology firm, 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 information contained in the interim statement of financial position segmented geographically as at September 30, 2019, with comparatives as at December 31, 2018:

	AS AT SEPTEMBER 30, 2019				TOTAL
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	
Property and equipment	\$ 15,197	\$ 5,237	\$ 883	\$ 742	\$ 22,059
Intangible assets	8,480	1,168	245	-	9,893
Contract assets	32,146	18,241	4,323	15,041	69,751
Contract liabilities	21,794	8,120	3,101	4,204	37,219
Total assets	173,814	90,305	18,080	48,184	330,383
Right-of-use assets	41,323	21,804	2,752	1,618	67,497
Lease receivable	5,875	1,566	-	-	7,441
Total assets excluding the impact of IFRS 16 transition	126,616	66,935	15,328	46,566	255,445

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	AS AT DECEMBER 31, 2018				
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	TOTAL
Property and equipment	\$ 12,229	\$ 3,734	\$ 1,339	\$ 782	\$ 18,084
Intangible assets	6,169	1,572	348	-	8,089
Contract assets (as adjusted) ¹	26,146	17,676	3,807	14,264	61,893
Contract liabilities	26,395	5,324	3,407	5,268	40,394
Total assets (as adjusted) ¹	115,368	56,955	18,435	51,014	241,772

The following table demonstrates certain information contained in the interim statement of income and comprehensive income segmented geographically for three and nine months ended September 30, 2019 and 2018. The unallocated amounts for the three and nine months ended September 30, 2019 and 2018 pertain to interest on convertible debentures, accretion expense on convertible debentures, amortization of deferred financing cost, long term debt interest, change in fair value of other financial liabilities, and change in fair value of deferred share units.

¹ See note 2(c)

IBI GROUP INC.
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THREE MONTHS ENDED SEPTEMBER 30, 2019						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross revenues	\$ 61,803	\$ 37,839	\$ 7,762	\$ 7,417	\$ -	\$ 114,821
Less: subconsultants and direct expenses	6,915	9,262	1,074	2,950	-	20,201
Net revenue	\$ 54,888	\$ 28,577	\$ 6,688	\$ 4,467	\$ -	\$ 94,620
Adjusted EBITDA ²	\$ 8,611	\$ 3,437	\$ 637	\$ (388)	\$ -	\$ 12,297
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	634	318	37	34	2,154	3,177
Amortization and depreciation	2,626	1,734	424	261	-	5,045
Foreign exchange (gain) loss	50	140	(91)	(27)	-	72
Change in fair value of other financial liabilities	-	-	-	-	(2,171)	(2,171)
Change in fair value of deferred share units	-	-	-	-	(61)	(61)
Stock based compensation	186	11	3	10	-	210
Performance share units	111	-	-	-	-	111
Deferred financing charges	-	-	-	-	114	114
IFRS 16 lease accounting adjustment	(2,398)	(1,636)	(229)	(171)	-	(4,434)
Net income (loss) before tax	\$ 7,402	\$ 2,870	\$ 493	\$ (495)	\$ (36)	\$ 10,234

THREE MONTHS ENDED SEPTEMBER 30, 2018						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross Revenues	\$ 61,550	\$ 34,576	\$ 7,572	\$ 8,769	\$ -	\$ 112,467
Less: subconsultants and direct expenses	8,037	8,555	1,058	2,798	-	20,448
Net revenue	\$ 53,513	\$ 26,021	\$ 6,514	\$ 5,971	\$ -	\$ 92,019
Adjusted EBITDA ²	\$ 8,470	\$ 60	\$ (22)	\$ 1,645	\$ -	\$ 10,153
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	30	-	6	63	3,872	3,971
Amortization and depreciation	869	404	201	42	-	1,516
Foreign exchange (gain) loss	297	(221)	(34)	549	-	591
Change in fair value of other financial liabilities	-	-	-	-	(4,661)	(4,661)
Change in fair value of deferred share units	-	-	-	-	(832)	(832)
Stock based compensation	232	26	3	16	-	277
Performance share units	31	-	-	-	-	31
Deferred financing charges	-	-	-	-	133	133
Change in onerous lease provision	(611)	-	-	-	-	(611)
Net income (loss) before tax	\$ 7,622	\$ (149)	\$ (198)	\$ 975	\$ 1,488	\$ 9,738

¹ 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.

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; IFRS lease accounting adjustments; 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.

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NINE MONTHS ENDED SEPTEMBER 30, 2019						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross Revenues	\$ 188,053	\$ 109,968	\$ 23,619	\$ 24,615	\$ -	\$ 346,255
Less: subconsultants and direct expenses	21,704	27,899	3,174	8,305	-	61,082
Net revenue	\$ 166,349	\$ 82,069	\$ 20,445	\$ 16,310	\$ -	\$ 285,173
Adjusted EBITDA ²	\$ 25,369	\$ 6,748	\$ 891	\$ 2,209	\$ -	\$ 35,217
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	1,840	1,006	128	85	6,337	9,396
Amortization and depreciation	7,392	5,358	1,374	712	-	14,836
Foreign exchange (gain) loss	173	(350)	(168)	1,698	-	1,353
Change in fair value of other financial liabilities	-	-	-	-	(447)	(447)
Change in fair value of deferred share units	-	-	-	-	184	184
Stock based compensation	622	45	7	33	-	707
Performance share units	488	-	-	-	-	488
Deferred financing charges	-	-	-	-	343	343
IFRS 16 lease accounting adjustment	(5,356)	(4,764)	(902)	(459)	-	(11,481)
Net income (loss) before tax	\$ 20,210	\$ 5,453	\$ 452	\$ 140	\$ (6,417)	\$ 19,838
NINE MONTHS ENDED SEPTEMBER 30, 2018						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross Revenues	\$ 184,918	\$ 100,854	\$ 24,813	\$ 28,151	\$ -	\$ 338,736
Less: subconsultants and direct expenses	22,991	25,616	3,821	10,395	-	62,823
Net revenue	\$ 161,927	\$ 75,238	\$ 20,992	\$ 17,756	\$ -	\$ 275,913
Adjusted EBITDA ²	\$ 26,446	\$ (3,031)	\$ 279	\$ 4,681	\$ -	\$ 28,375
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	(60)	3	32	125	8,690	8,790
Amortization and depreciation	2,220	1,251	674	112	-	4,257
Foreign exchange (gain) loss	768	255	69	1,483	-	2,575
Change in fair value of other financial liabilities	-	-	-	-	(8,100)	(8,100)
Change in fair value of deferred share units	-	-	-	-	(1,151)	(1,151)
Stock based compensation	875	57	7	31	-	970
Performance share units	79	-	-	-	-	79
Deferred financing charges	-	-	-	-	404	404
Change in onerous lease provision	(2,559)	-	-	-	-	(2,559)
Net income (loss) before tax	\$ 25,123	\$ (4,597)	\$ (503)	\$ 2,930	\$ 157	\$ 23,110

¹ 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.

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; IFRS lease accounting adjustments; 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 5: FINANCIAL INSTRUMENTS**(a) INDEBTEDNESS**

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 September 30, 2019, the interest rate on Canadian dollar borrowings was 4.95% (September 30, 2018 – 4.70%) and 6.00% on U.S dollar borrowings (September 30, 2018 – 7.25%).

As at September 30, 2019, IBI Group has borrowings of \$73,738 (December 31, 2018 - \$77,159) under the credit facilities, which has been recorded on the balance sheet net of deferred financing costs of \$1,352 (December 31, 2018 - \$1,611). Included within the \$73,738 borrowings, the Company has borrowed \$10,000 USD (December 31, 2018 - \$10,000 USD) under a swing line facility with a carrying value as at September 30, 2019 of \$13,238 CAD (December 31, 2018 - \$13,634).

As at September 30, 2019, IBI Group has letters of credit outstanding of \$4,064 (December 31, 2018 - \$4,681), of which \$3,565 (December 31, 2018 - \$4,428) is issued under a \$30,000 facility which matures on June 30, 2020 and supports letters of credit back stopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At September 30, 2019, \$73,738 was outstanding under Bankers' Acceptance (December 31, 2018 - \$74,834).

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at September 30, 2019.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, continued profitability, executing contracts for clients and continued monitoring 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.

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	AS AT	
	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
Balance at January 1	\$ 75,548	\$ 63,842
Draws on credit facilities	-	14,755
Payments on principal of credit facilities	(3,025)	(4,100)
Deferred financing capitalization	(84)	(280)
Amortization of deferred financing costs	343	404
Impact of foreign exchange	(396)	351
Ending Balance	\$ 72,386	\$ 74,972

(b) CONVERTIBLE DEBENTURES

	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.5% Debentures (matures on December 31, 2021)			
Balance at December 31, 2018	\$ 37,213	\$ 3,994	\$ 41,207
Accretion of 5.5% Debentures	1,889	-	1,889
Change in fair value of other financial liabilities	-	(447)	(447)
BALANCE, SEPTEMBER 30, 2019	\$ 39,102	\$ 3,547	\$ 42,649

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 at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year.

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.

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The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of \$10,908 at the date of issuance, and recorded as part of Other financial liabilities in the interim statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at September 30, 2019, the fair value of the derivative component was \$3,547 (December 31, 2018 - \$3,994). 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 September 30, 2019, based on a Level 1 quoted market price, is as follows:

	Carrying Value		Fair Value	
5.5% Debentures	\$	39,102	\$	47,150
BALANCE, SEPTEMBER 30, 2019	\$	39,102	\$	47,150

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
BALANCE, DECEMBER 31, 2018	\$	37,213	\$	45,995

(c) FINANCIAL ASSETS AND LIABILITIES

The fair values of accounts receivable, current and non-current lease receivable, accounts payable and accrued liabilities, and current and non-current lease liability approximate their carrying amounts due to their short-term maturity. The lease liability approximates the fair value as the incremental borrowing rate used at January 1, 2019 to determine the liability did not materially change during the three and nine months ended September 30, 2019. The fair value of the credit facilities approximate its carrying amount due to the variable rate of interest.

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The carrying amount of the Company's financial instruments as at September 30, 2019 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	AMORTIZED COST	TOTAL
FINANCIAL ASSETS			
Cash	\$ 11,093	\$ -	\$ 11,093
Restricted cash	3,087	-	3,087
Accounts receivable	-	112,542	112,542
Lease receivable ¹	-	7,441	7,441
TOTAL	\$ 14,180	\$ 119,983	\$ 134,163
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 33,834	\$ 33,834
Deferred share plan liability	2,244	-	2,244
Lease liability ¹	-	83,830	83,830
Credit facilities	-	72,386	72,386
Convertible debentures	-	39,102	39,102
Other financial liabilities	3,547	-	3,547
TOTAL	\$ 5,791	\$ 229,152	\$ 234,943

¹ Upon adoption of IFRS 16 the following financial instruments were recognized, lease receivable and lease liability with a carrying value as at September 30, 2019 of \$7,441 and \$83,830 respectively. In addition to the financial instruments a right-of-use capital asset was recognized with a carrying value of \$67,497 as at September 30, 2019.

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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 (restated)	3,190	-	3,190
Accounts receivable	-	114,796	114,796
TOTAL	\$ 12,650	\$ 114,796	\$ 127,446
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 37,990	\$ 37,990
Deferred share plan liability	1,681	-	1,681
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

The following tables summarize the Company's fair value hierarchy for those assets and liabilities that are measured at fair value on a recurring basis as at September 30, 2019 and December 31, 2018:

	AS AT SEPTEMBER 30, 2019		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	\$ 11,093	\$ -	\$ -
Restricted cash	-	3,087	-
Deferred share plan liability	-	(2,244)	-
Other Financial Liabilities	-	(3,547)	-
	\$ 11,093	\$ (2,704)	\$ -
	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)	\$ -

NOTE 6: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended September 30, 2019 was \$3,661 (three months ended September 30, 2018 - \$3,834) and \$10,984 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - \$11,665). As at September 30, 2019, there were 46 partners (September 30, 2018 – 49 partners). As at September 30, 2019, the amount payable to the Management Partnership was \$7 (December 31, 2018 - \$233).

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.

NOTE 7: EQUITY**(a) SHAREHOLDERS' EQUITY**

The Company is authorized to issue an unlimited number of common shares. As at September 30, 2019, the Company's common share capital consisted of 31,235,044 shares issued and outstanding (December 31, 2018 – 31,220,877 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 September 30, 2019, the units issued on such exchange would have represented a 16.74% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders, although the holder also holds an equal number of non-participating voting shares in the Company. The Class B partnership units have been recorded as a non-controlling interest in the interim financial statements as at September 30, 2019.

SHARE ISSUANCES

During the three and nine months ended September 30, 2019, the Company issued 10,000 and 14,167 common shares respectively, as a result of exercises of stock options granted in January 2016.

EARNINGS PER SHARE

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

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

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	THREE MONTHS SEPTEMBER 30,		NINE MONTHS SEPTEMBER 30,	
	2019	2018	2019	2018
Net income	\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
Net income attributable to common shareholders	\$ 7,235	\$ 6,677	\$ 12,452	\$ 13,990
Weighted average common shares outstanding	31,225	31,221	31,225	31,217
Dilutive effect of Class B partnership units	6,282	6,282	6,282	6,282
Dilutive effect of stock options granted	251	489	251	529
Diluted weighted average common shares	37,758	37,992	37,758	38,028
Basic earnings per common share	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.45
Diluted earnings per common share	\$ 0.23	\$ 0.21	\$ 0.40	\$ 0.44

(b) NON-CONTROLLING INTEREST

Non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the interim condensed consolidated statement of changes in equity (deficit) for the three and nine months ended September 30, 2019.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2019	2018	2019	2018
Net income	\$ 8,690	\$ 8,021	\$ 14,957	\$ 16,805
Non-controlling interest share of ownership	16.75%	16.75%	16.75%	16.75%
Net income attributable to non-controlling interest	\$ 1,455	\$ 1,344	\$ 2,505	\$ 2,815

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2019	2018	2019	2018
Total comprehensive income	\$ 9,036	\$ 5,809	\$ 11,354	\$ 18,394
Non-controlling interest share of ownership	16.75%	16.75%	16.75%	16.75%
Total comprehensive income attributable to non-controlling interest	\$ 1,514	\$ 972	\$ 1,902	\$ 3,081

NOTE 8: FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's interim statement of financial position, income and

comprehensive income and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

(a) MARKET RISK**INTEREST RATE RISK**

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

If the interest rate on the Company's variable rate loan balance as at September 30, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the nine months ended September 30, 2019 would have decreased or increased by approximately \$271.

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 September 30, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by \$3 for the nine months ended September 30, 2019. If the exchange rates had been 100 basis points higher or lower as at September 30, 2019, with all other variables held constant, net income would have increased or decreased by \$71 for the nine months ended September 30, 2019.

(b) CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At September 30, 2019 there were 63 working days of revenue in accounts receivable, which remained unchanged from December 31, 2018. The maximum exposure to credit risk, at the date of the interim statement of financial position to recognized financial assets is the carrying

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amount, net of any provisions for impairment of those assets, as disclosed in the interim statement of financial position.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

The aging of the accounts receivable are detailed below:

	AS AT	
	SEPTEMBER 30, 2019	DECEMBER 31, 2018
Current	\$ 40,839	\$ 40,327
30 to 90 days	33,013	40,451
Over 90 days	47,920	44,166
Gross accounts receivable	121,772	124,944
Allowance for impairment losses	(9,230)	(10,148)
Total	\$ 112,542	\$ 114,796

Changes in the allowance for impairment losses were as follows:

	AS AT	
	SEPTEMBER 30, 2019	DECEMBER 31, 2018
Balance at beginning of year	\$ (10,148)	\$ (8,970)
Provision for doubtful accounts	(1,459)	(1,247)
Amounts written-off	2,171	559
Effect of foreign currency exchange rate changes	206	(490)
Total	\$ (9,230)	\$ (10,148)

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 September 30, 2019 was 2.22% on contract assets for impairment loss of \$1,549 (December 31, 2018 – loss rate of 1.77% and impairment loss of \$1,098, as adjusted see note 2(c)).

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three and nine months ended September 30, 2019, no changes in credit risk were identified.

(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 5 – 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 September 30, 2019, a foreign subsidiary of the Company issued letters of credit in the amount of U.S \$2,300, which is equal to CAD \$3,087 (December 31, 2018 – CAD \$3,190). The Company has pledged U.S \$2,300 (December 31, 2018 – U.S \$2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at September 30, 2019, the Company has letters of credit outstanding of \$4,064 (December 31, 2018 - \$4,681), of which \$499 (December 31, 2018 - \$253) are outstanding with foreign institutions with the remaining \$3,565 (December 31, 2018 - \$4,428) being issued under a \$30,000 facility which matures on June 30, 2020 and supports letters of credit back stopped by Export Development Canada.

(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 September 30, 2019.

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; IFRS lease accounting adjustments; 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.

IBI GROUP INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars, except per share and share amounts)

NOTE 9: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2019	2018	2019	2018
Accounts receivable	\$ (305)\$	(1,225)\$	(783)\$	(642)
Contract assets	876	(2,616)	(9,619)	(9,930)
Prepaid expenses and other assets	(1,228)	2,705	(2,690)	913
Lease receivable	5	-	(1,297)	-
Right-of-use assets	(1,582)	-	(3,753)	-
Accounts payable and accrued liabilities	(2,326)	5,203	(2,485)	(2,210)
Lease liability	1,812	-	8,681	-
Contract liabilities	(1,721)	(975)	(2,612)	(2,527)
Net income taxes payable	(487)	2,125	(720)	2,273
Change in non-cash operating working capital	\$ (4,956)\$	5,217 \$	(15,278)\$	(12,123)

NOTE 10: FINANCE COSTS

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2019	2018	2019	2018
Interest on credit facilities	\$ 872 \$	621 \$	2,555 \$	1,804
Interest on convertible debentures	637	887	1,892	2,658
Non-cash accretion of convertible debentures	644	2,364	1,889	4,228
Interest on lease liability	1,087	-	3,256	-
Interest on lease receivable	(97)	-	(303)	-
Other	34	99	107	100
INTEREST EXPENSE	\$ 3,177 \$	3,971 \$	9,396 \$	8,790
Amortization of deferred financing costs	\$ 114 \$	133 \$	343 \$	404
Other	111	195	261	489
OTHER FINANCE COSTS	\$ 225 \$	328 \$	604 \$	893
FINANCE COSTS	\$ 3,402 \$	4,299 \$	10,000 \$	9,683

NOTE 11: CONTINGENCIES**(a) LEGAL MATTERS**

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

(b) INDEMNIFICATIONS

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

NOTE 12: ACQUISITIONS

On September 1, 2019, the Company entered into an asset purchase agreement to purchase various fixed assets, intellectual property, and customer contracts from Aspyr Engineering Ltd (“Aspyr”). The agreement provides for consideration to be paid to the selling shareholders on the achievement of certain future performance metrics of the business on the anniversary of the closing date for each of the next three anniversary dates. This acquisition has been recorded as a business combination in accordance with IFRS 3 *Business Combinations*. The total purchase price at acquisition was \$2,276, of which \$545 was paid in cash at the time of closing with the remaining to be paid out based on the achievement of future performance metrics. The assets purchased primarily relate to intangible assets, customer contracts and software, in the amount of \$2,247 with the remaining \$30 being computer equipment and furniture. In addition to the assets purchased, IBI has assumed the office lease of Aspyr, which has been recorded in accordance with IFRS 16 *Leases*. There is no working capital or any additional liabilities assumed.

NOTE 13: SHARE-BASED COMPENSATION**EQUITY SETTLED TRANSACTIONS***Deferred Share Units*

The Company has a share-based compensation plan which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as financial liabilities at FVTPL. On the grant date, the deferred shares are measured at fair value based on the market price with subsequent changes to the fair value until settlement recorded as salaries, fees and employee benefit expenses. The change in fair value of the deferred shares is recognized in other operating expenses in the interim statement of income and comprehensive income. During the three months ended September 30, 2019, a recovery of \$61 was recognized (three months ended September 30, 2018 – recovery of \$832) and an expense of \$184 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 – recovery of \$1,151) due to market movement in the share price.

IBI GROUP INC.NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars, except per share and share amounts)*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%
March 6, 2019	156,464	\$ 2.47 - 2.70	\$ 4.41	\$ 4.49	61.2 - 63.7%	5.5 - 6.5 years	0%	1.70 - 1.72%
May 9, 2019	90,500	\$ 2.68 - 2.97	\$ 4.96	\$ 4.98	60.3 - 63.1%	5.5 - 6.5 years	0%	1.56 - 1.59%

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

For the three months ended September 30, 2019, the Company has recognized an expense of \$210 (three months ended September 30, 2018 - \$277) and an expense of \$707 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - \$972) in salaries, fees and employee benefits for stock options in the interim statement of income and comprehensive income.

IBI GROUP INC.**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(in thousands of Canadian dollars, except per share and share amounts)

The following stock option arrangements were in existence as at September 30, 2019:

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	19,167	22,500	493,333	493,333	\$ 2.33	\$ 618,816
25-May-16	25-May-26	99,213	-	-	99,213	99,213	\$ 4.49	\$ 262,253
16-May-17	16-May-27	69,107	-	-	69,107	46,071	\$ 7.01	\$ 300,846
17-Jul-17	17-Jul-27	316,500	-	7,334	309,166	206,111	\$ 6.63	\$ 1,245,954
9-Aug-17	9-Aug-27	77,315	-	-	77,315	51,543	\$ 6.79	\$ 310,550
20-Mar-18	20-Mar-28	71,942	-	-	71,942	23,981	\$ 7.24	\$ 310,550
9-May-18	9-May-28	69,500	-	-	69,500	23,167	\$ 7.49	\$ 320,627
6-Mar-19	6-Mar-29	156,464	-	-	156,464	-	\$ 4.49	\$ 406,650
9-May-19	9-May-29	90,500	-	-	90,500	-	\$ 4.98	\$ 257,110
		1,485,541	19,167	29,834	1,436,540	943,419	\$ 4.77	\$ 4,033,356

Performance share units

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

The Company has recognized for the three months ended September 30, 2019 an expense of \$111 (three months ended September 30, 2018 - \$31), and an expense of \$488 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 – \$79) in salaries, fees and employee benefits for PSUs in the interim statement of income and comprehensive income.

NOTE 14: INCOME TAXES

Income taxes for the three and nine months ended September 30, 2019 was \$1,544 and \$4,881, respectively (three and nine months ended September 30, 2018 - \$1,717 and \$6,305, respectively). The effective income tax rate for the three and nine months ended September 30, 2019 was 15.1% and 24.6%, respectively (three and nine months ended September 30, 2018 – 17.6% and 27.3%, respectively). The change in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.