IBI GROUP 2019 CORPORATE PROFILE

IBI

Defining the cities of tomorrow

ibigroup.com

IBI Group (TSX: IBG) is a technology-driven design firm, providing architecture, engineering, planning, systems, and technology services to our clients for nearly 50 years.

With more than 2,700 professionals located in over 60 offices around the world, we create responsible, resilient spaces and smart urban environments by bringing the established capabilities from our Intelligence practice into our core Buildings and Infrastructure businesses. We have a proven track record of incorporating technology across our business, meaning we're able to deliver results to clients that are more efficient and sustainable.

From high-rises to hospitals, and transit systems to schools, we shape the way people live, move, learn, and heal in the cities of tomorrow. As urbanization drives demand for smarter buildings and seamless infrastructure, IBI remains focused on our ultimate goal: to create safe, livable, sustainable and engaging urban environments people are proud to call home.

This is the IBI advantage, where everyone reaps the benefits; our customers, the people who live in our communities, and ultimately, our investors. We hope you'll join us for the journey.

Unless otherwise stated, all amounts in this report are presented in Canadian dollars (CAD).

FINANCIAL ACCOMPLISHMENTS

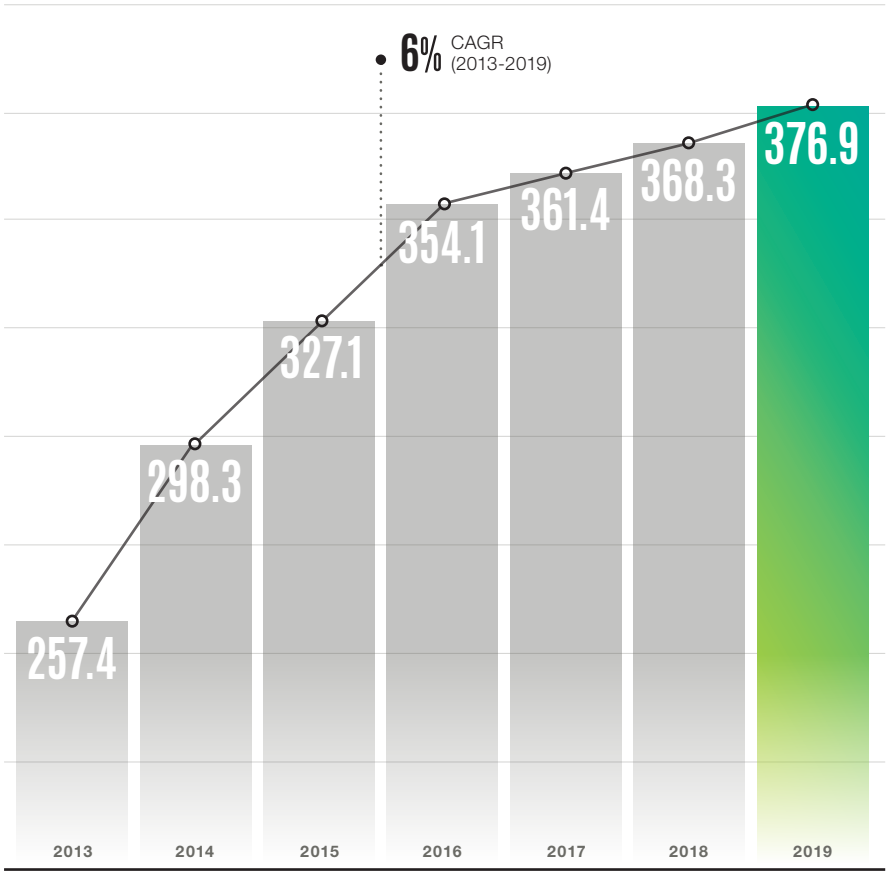
$377M
NET REVENUE

$42.0M
ADJUSTED EBITDA [1]

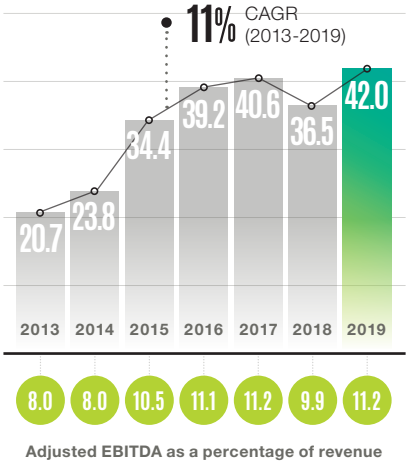
11.2%
ADJUSTED EBITDA MARGIN [1]

1.8X
DEBT TO EBITDA MULTIPLE AT YEAR END

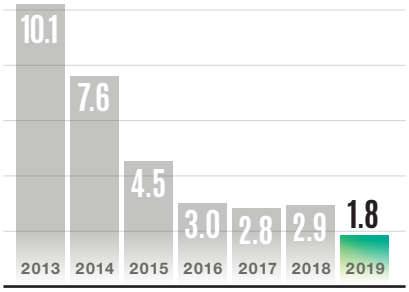
FY Net Revenue ($M)



FY Adjusted EBITDA[1] ($M)



Debt /Adjusted EBITDA[1] (X)



[1] *Non-IFRS measure. See "Non-IFRS Measures" on page 15.*

LETTER TO SHAREHOLDERS

At IBI Group, we pride ourselves on standing out, being different, blazing new trails. Since day one, we've developed, applied and embedded innovative solutions to create more efficient, safe, sustainable and engaging communities. Simply put, technology has always been at our core. As we move into an exciting new decade, we believe global urbanization combined with contributions from our Intelligence practice will fuel organic growth within IBI's Buildings and Infrastructure practices.

Our focus on applying technology at every stage of the design process is what sets us apart from the pack. Every day, we deliver premium and cost-effective results for our clients. Our commitment to excellence is reflected in our 2019 financial results. Over the course of last year, we repaid debt and bolstered our balance sheet. This positions IBI with flexibility around capital allocation decisions as we consider organic growth opportunities, accretive acquisitions, or returning capital to shareholders. Our Buildings and Infrastructure practices also continued to generate growth in revenue, EBITDA and profit margins.

Our dedication to developing and applying technology has already created a meaningful impact on our business, but we believe the biggest effects are still to come. With rising immigration, increasing density, and pressing real estate demands, cities around the globe must be smart and efficient. We are more than prepared

to meet – and exceed – their expectations. Our unique ability to marry technology with design is a natural fit for the many clients who are passionate about creating intelligent buildings and infrastructure.

For example, we are part of the design consortium for the Gordie Howe International Bridge, an exciting P3 project that will connect Windsor, Ontario with Detroit, Michigan. Not only are we responsible for the design of the Intelligent Transportation Systems, including the communications and security systems, providing for a safe and efficient movement of traffic, we will also be providing the complete toll system for the bridge.

IBI's Intelligence team is also responsible for coordinating efforts across multi-disciplinary teams including architecture, urban design and engineering. We're proud to apply IBI's in-house technologies, such as our BIMbot design-efficiency tools, to enhance an infrastructure project that will be one-of-its kind in North America.

Though we've been operating since 1974, we are at the beginning of a new era with a vision, a plan and a talented team. These are exhilarating times for IBI Group as we leverage technology to accelerate growth across each of our business practices. I'd like to thank all of our staff, the leadership team, and our board of directors for their dedication and hard work – and for leading the way forward. We're ready, able and energized to create the communities of tomorrow, today.

Scott Stewart
CEO

"OUR DEDICATION TO DEVELOPING AND APPLYING TECHNOLOGY HAS ALREADY CREATED A MEANINGFUL IMPACT ON OUR BUSINESS..."

GLOBAL URBANIZATION IS DRIVING DEMAND

As urbanization continues to impact cities around the world, IBI sees the opportunity to expand and adapt our service offerings for Buildings and Infrastructure clients by integrating our Intelligence practice.

In Canada alone, migration of knowledge workers relocating to the country's major centres is fueling IBI's core business. For example, IBI is leading the design of the Hurontario LRT, a major infrastructure project in the Greater Toronto Area. IBI is also designing 25 major high-rise buildings along this corridor. The impact of re-urbanization is equally prevalent across North America, and IBI is currently involved in over 90 master-planning projects representing approximately 10,000 acres of developable land. Each of these projects sets the stage for 25 years of follow-on business, allowing us to showcase our capabilities in integrating technology from the earliest planning and design stages through to asset management and optimization post-completion.

Looking ahead, we know the cities of tomorrow will be facing increasing pressure, as urban populations are expected to double over the next 40 years.[1] Urbanization demands smart design – and IBI is more than ready to provide cities with the solutions they need to thrive. By integrating technology into projects, we offer long-term value that helps create lasting business solutions for clients, and new, recurring revenue streams for IBI.

CITYPLACE, FORMER RAILWAY LANDS – TORONTO, ON, CANADA

AN EVOLUTION, NOT A REVOLUTION

IBI Group has a long history of delivering technological and productivity improvements, blazing a unique path amongst peers. Our proven track record in delivering intelligent, forward-thinking solutions is IBI's unique competitive advantage. We will not struggle to catch up to changing technology, as we have been quietly leading.

IBI is integrating technology through our Intelligence practice into everything we do. As growing urbanization around the world increases the demands on cities, we see even greater opportunities to bring our technology solutions to market through the more traditional parts of our business. We are focused on expanding and adapting the services we offer to clients across our Buildings and Infrastructure practices to support growth in each practice area and for IBI as a whole.

To us, this opportunity represents an evolution, not a revolution.

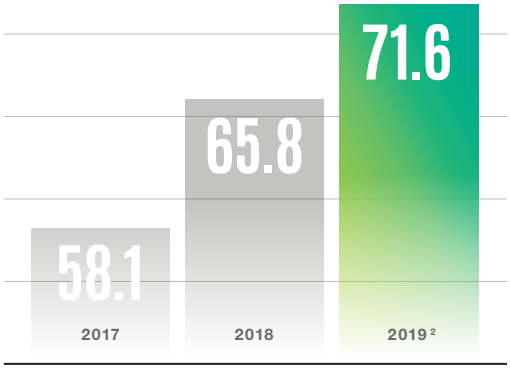
[1] *Thorne, M (2017, June). Cities of the Future: Challenges of Architecture and Design. Retrieved from https://www.ie.edu/insights/articles/cities-of-the-future-challenges-of-architecture-and-design/.*

INTELLIGENCE

Our Intelligence practice is at the heart of our transformation to a technology-driven design firm. The productivity tools and processes we develop in-house are unlocking growth in IBI's traditional Buildings and Infrastructure practices, while creating more efficient results for our clients. In fact, our track record of delivering premium, technology-driven results is a key IBI differentiator.

Whether we're designing software, developing analytics tools or delivering traffic systems for our clients, our solutions are innovative and unique. Our technology solutions are implemented internally as well as infused throughout our Buildings and Infrastructure projects. We've developed world-class software and systems providing reliable urban transportation and better energy management. IBI's interdisciplinary approach means that fresh perspectives are constantly applied across sectors, leading to new concepts and solutions that are truly defining the cities of tomorrow.

Intelligence Net Revenue ($M)



18.9%
OF NET REVENUE [2]

$13.2M
ADJUSTED EBITDA [1, 2]

18.4%
MARGIN [2]

BUILDINGS

From high-rises and hospitals, to schools and industrial facilities, our Buildings practice is raising the IQ of built environments around the world. We currently have 450 Buildings projects underway globally. And we're not stopping there.

As IBI embeds our Intelligence practice throughout our traditional businesses, we believe we can drive further growth – especially in our Buildings practice. By incorporating IBI's solutions, we can enhance outcomes for clients while creating additional revenue streams for IBI. Further geographic expansion is planned by introducing the design expertise we've established in mixed-use and high-rise buildings in Toronto and Vancouver to other markets across Canada and the United States. This strategy has already secured new design assignments in San Francisco, Los Angeles and other cities. As a result, we are positioned to offer our integrated design services to new sectors, regions and clients beyond industrial buildings and transportation facilities.

As we implement these strategies, we look forward to helping improve the lives of everyone who lives, learns, works or plays within the cities and communities we design.

One of IBI's largest Buildings projects to date is the Royal Atlantis, Palm Dubai. This design marvel is two seamlessly connected buildings that appear as one, which incorporates a mixed-use environment featuring luxurious residential and hotel suites.

THE ROYAL ATLANTIS, PALM DUBAI – DUBAI, UAE

52.2%
OF NET REVENUE

$31.1M
ADJUSTED EBITDA [1]

15.8%
MARGIN

[1] *Non-IFRS measure. See "Non-IFRS Measures" on page 15.*
[2] *Excludes the impact of small dollar amounts being written-off arising from systems improvement initiatives implemented during 2019. See 2019 MD&A for further details.*

INFRASTRUCTURE

Our Infrastructure practice includes land engineering, placemaking, and transportation services driving smart-city design. Living in a smart city feels effortless and intuitive, which is the thing about good design – the people living there may not even notice it.

From bus, light rail transit, and heavy commuter rail, to airports, and highway systems, IBI's transportation projects both within and between urban areas include all modes of private and public transportation. We develop, deploy and manage transportation services and projects for clients around the world. Some significant projects currently underway include the Hurontario LRT and Eglinton Crosstown LRT in the Greater Toronto Area, the Edmonton LRT and Tel Aviv's Red Line.

Through our Infrastructure practice, IBI creates vibrant, technology-driven environments designed to work just as well for a million people as they do for one.

Not only is IBI leading the design of the vast Hurontario LRT infrastructure project, but we are also designing 25 major high-rise buildings along the 18km LRT line.

HURONTARIO LRT – GREATER TORONTO AREA, ON, CANADA

29.4%

OF NET REVENUE

$11.5M

ADJUSTED EBITDA[1]

10.4%

MARGIN

LEFT & TOP RIGHT: MOUNT DENNIS STATION, EGLINTON CROSSTOWN LRT – TORONTO, ON, CANADA **ABOVE:** TEL AVIV RED LINE LRT – TEL AVIV, ISRAEL

[1] *Non-IFRS measure. See "Non-IFRS Measures" on page 15.*

OUR BUSINESS DRIVERS

In 2018, we shared a new strategic plan to be a technology-driven design firm with our stakeholders. Since then, we've made strides in advancing the four streams we consider essential to achieving success as a firm, creating smart communities for our clients, and delivering value to our shareholders. Each stream serves not only to integrate our Intelligence, Buildings and Infrastructure business practices, but also to enhance them.

AT ITS CORE, OUR STRATEGIC PLAN IS COMPRISED OF FOUR STREAMS

1 **Better Results, Faster**

2 **New Revenue Streams**

3 **Disruptive Technologies**

4 **Smart City Ecosystem**

We consider each stream essential to achieving success as a firm, creating smart communities for our clients, and delivering value to our shareholders.

In the following pages, you'll find an update on how we've made strides in advancing each stream. From developing transformative planning technologies to creating one-of-a-kind buildings, IBI had a lot to celebrate in 2019.

VIVANEXT YORK REGION RAPID TRANSIT – YORK REGION, ON, CANADA

1 Delivering Better Results, Faster

We are committed to delivering better, rapid and cost-effective results for our clients. To ensure we continue to exceed their expectations, we have consolidated some of our services, including design technology, quantum design and project management, allowing us to integrate cutting-edge technologies from the earliest stages of design. The results speak for themselves: beautiful and functional environments that work well for our clients and the many people who live, work and play there.

IBI recently completed a major portion of Metrolinx's vivaNext bus rapid transitway, a system designed to provide swift transit along a busy highway in Ontario's York Region.

To develop a plan that would avoid conflicts between underground utilities, streetscaping, transit signals and stormwater lines, IBI developed a technology called BIMbot that enables cross-disciplinary collaboration in the design stages, and is able to process data to detect potential clashes. Our BIMbot software was also shared with other external stakeholders.

Thanks to our innovative technology, we are proud to have delivered this phase of the project ahead of schedule and, most importantly, to have created a transit solution that puts people first.

IBI has designed and rolled out 50 bots for business that we use throughout the organization to enhance quality and improve efficiencies, saving time and money.

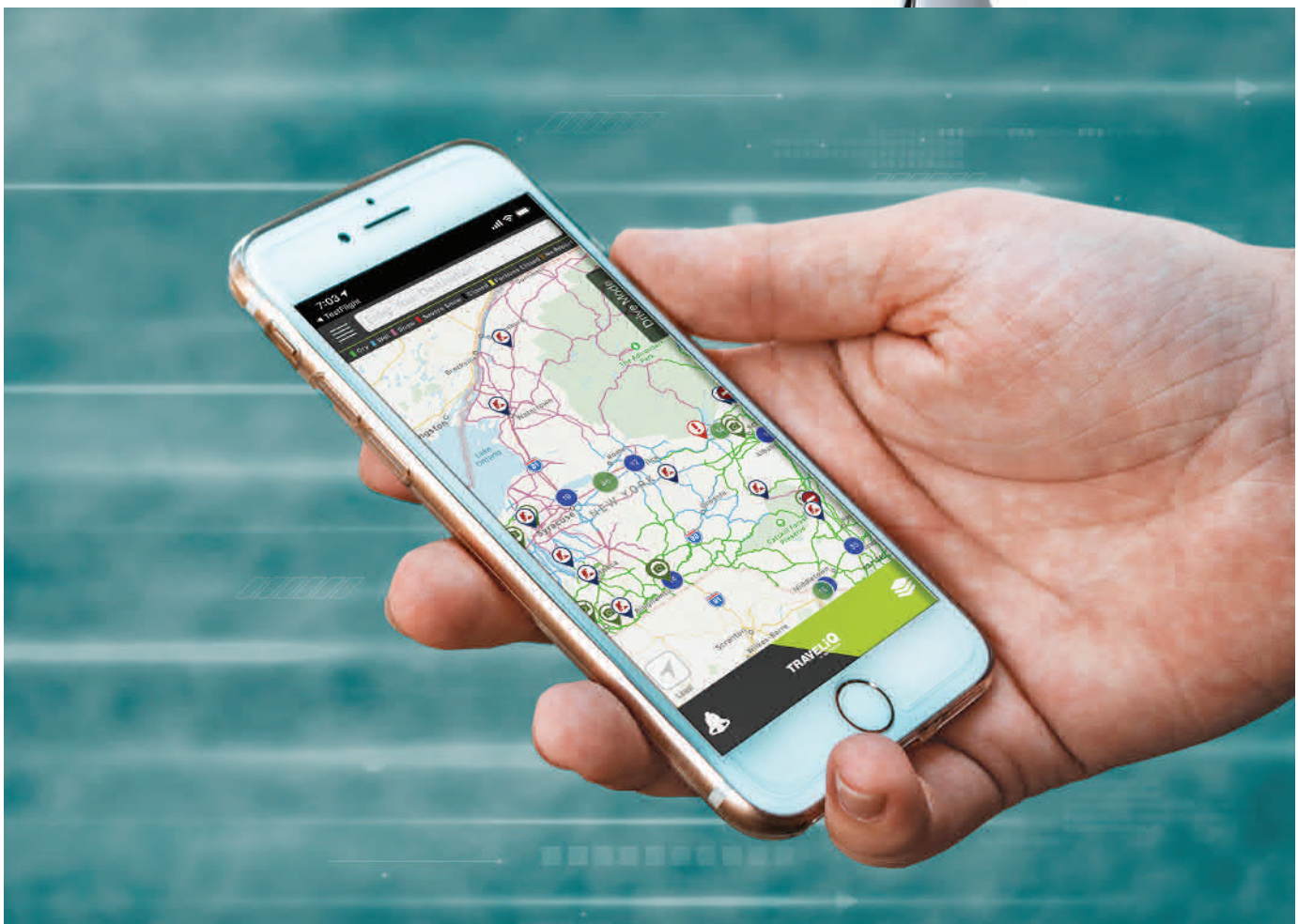
New Revenue Streams

We've been busy creating and harnessing new technologies around the world. We're also leveraging existing technologies to create new recurring revenue streams, such as our implementation of Travel-IQ or use of InForm in India. Our clients benefit from easy-to-use, easy-to-deploy solutions, while recurring revenues contribute to IBI's overall success.

Travel-IQ is IBI's signature white-label technology that allows states, provinces and cities to maintain, update and deliver efficient 511 traveller information programs for their citizens. Most recently, we deployed our robust Travel-IQ product in Alaska, including web, mobile app and voice technology to meet the state's unique needs. Our modernized, integrated and reliable 511 solution helps users navigate through a state where travel can be dangerous, and agencies must ensure they deliver critical travel information promptly, efficiently and accurately. Similarly, an existing relationship with the State of Wisconsin led to IBI's implementation of Travel-IQ, creating a 511 system that's modern, efficient and cost-effective for the state, while enhancing safety, mobility and decision support for the people who live there.

IBI is successfully leveraging our existing technologies to create new recurring revenue streams. We secured an InForm contract in 2019 on an existing highway in India where IBI is the toll system provider, with the provision of extending to six other projects in 2020.

IBI GROUP'S TRAVEL-IQ MOBILE APP



UNTITLED – TORONTO, ON, CANADA

3 Disruptive Technologies

Whether we're implementing emerging applications or using established technologies, IBI's business and revenue models are being transformed through the adoption of a "design-as-a-service" framework, including our proprietary computational modeling process, Quantum Design.

When our clients Reserve Properties and Westdale Properties teamed up with Grammy-winning performer and producer Pharrell Williams, their objective was clear: create a show-stopping, two-tower residential development at Yonge and Eglinton in Toronto that's the first of its kind. With Quantum Design, thousands of design iterations could be generated while optimizing results based on the goal of designing a building façade that serves as a visual abstraction of music. In this case, the beats and rhythm in Pharrell's hit song, Gust of Wind, were used to design a balcony pattern that mimics the flow of the music. Consistent with IBI's unique approach to design, the fluid, sculpted exteriors are one-of-a kind, creating a building where no two faces are the same.

IBI has also used innovative technology to develop a virtual reality (VR) simulation for the new Toronto Union Station Bus Terminal, which supports change management initiatives for bus drivers.

TORONTO UNION STATION BUS TERMINAL, VR-SIMULATED RENDERING – TORONTO, ON, CANADA

4 Smart City Ecosystem

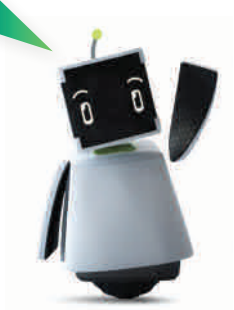
Establishing relationships with leading innovators gives IBI access to new technologies while providing early-stage companies with key domain knowledge and a route to market.

Through our Smart City Sandbox initiative that was launched in 2018, IBI can enhance our technology capabilities by leveraging like-minded, public- and private-sector partners to foster innovative new products and solutions for urban environments. We aim to nurture emerging technology start-ups through minor equity positions or partnership arrangements, giving IBI and our clients access to leading-edge innovation being developed within the tech eco-environments. Not only can we provide solutions to meet our clients' practical needs, but we also provide an important route to market for emerging companies; in this way, we're able to cultivate the next generation of smart buildings and infrastructure in cities.

In late 2019, IBI made an equity investment in SWTCH, a start-up company focused on electric vehicle charging. We consider the partnership a natural fit, as increasingly connected cities are facing energy, transportation and environmental challenges. This arrangement follows in the footsteps of our successful relationship with GreenOwl Mobile and demonstrates IBI's agile approach to innovation and unparalleled access to new technologies.

In September of 2019, IBI purchased the assets of Aspyr Engineering Ltd., a leader in information communication technologies for smart buildings, communities and cities. Aspyr's portfolio includes numerous award-winning solutions for healthcare, higher education, government and corporate clients. Aspyr was a natural fit for IBI, given they were already involved in work with other IBI clients, and can provide IBI access to new potential markets and clients. This acquisition clearly demonstrates the benefits of commercial integration between IBI and Aspyr.

IBI's acquisition of GreenOwl Mobile has contributed to margin growth and recurring revenue in our Intelligence practice, clearly demonstrating the competitive advantage of accessing early-stage innovators.



SMART CITY SANDBOX – TORONTO, ON, CANADA

COMMITTED TO ESG

IBI Group is committed to being a responsible, environmentally-progressive and thoughtful global entity. Our Environmental, Social and Governance (ESG) policies and practices have been designed to ensure we are leaders, not followers. Below are just a few examples of our commitment to ESG in action.

ENVIRONMENTAL

We know that smart design is good for everyone; our clients, the people in our communities and, ultimately, the environment. That's why we plan and execute every project to meet the highest environmental standards. Internally, IBI is committed to improvements that can reduce energy consumption and emissions. Throughout the design process, we consider adopting technologies that can monitor energy consumption and emissions during the life cycle of the assets. We also seek to incorporate resilience into our designs to better manage potential climate events. Sometimes, the project itself is creating the standard. We're currently working through approval processes to design the largest solar farm in western Canada for our client, RealPart Canada Inc. The farm will house 700,000 solar panels over 386 hectares near Calgary, Alberta, and will be constructed with minimal disruption to the land's existing wetlands and water bodies. Once complete, the farm is expected to power nearly 25,000 homes. We're thrilled to help design such a progressive and environmentally-friendly energy solution.

SOCIAL

Based on IBI's core values, we seek to actively foster a culture and work environment that promotes diversity, inclusion, collaboration and caring. Opportunities to empower, coach and elevate individuals' professional and personal growth are provided through our numerous internal programs, including Leadership Engagement and Development (LEAD), Employee Recognition, Professional Mentoring and our Global Women's Network. In addition, our talent development program is focused on achieving greater representation at the leadership level, which is something we're passionately working towards. We aim to make a difference by giving back to our communities, local charities and non-profit organizations with financial contributions or a helping hand to volunteer.

GOVERNANCE

We believe that a sound governance framework is required to instill trust and provide effective oversight to the organization, which benefits all stakeholders. Consistent with best practices, IBI regularly assesses the competency and critical skills we need within our business to take us to the next level. Over the past few years, we've added three new independent directors to our board: John Reid, Michael Nobrega and Claudia Krywiak. As our global firm continues to evolve, so too will our board, and we may consider adding new members to ensure we maintain a robust team who can continue to guide and champion IBI's technology-focused practice.

In addition, IBI has adopted a Code of Conduct and Ethics outlining its corporate standards, governance oversight and reporting, which all employees and directors globally are required to review and sign off on, certifying their commitment to upholding the high standards inherent in IBI's business fundamentals.

ABOUT IBI GROUP

Board of Directors

SCOTT STEWART P. ENG.
CEO, IBI Group
Toronto, ON, Canada

DAVID THOM AIBC, MRAIC, AIA
President, IBI Group
Vancouver, BC, Canada

DALE RICHMOND
FCMA, FCPA, B.COM, MA
Chair of the Board & Independent Director
Oakville, ON, Canada

LORRAINE BELL CPA, CA
Independent Director
New York City, NY, USA

MICHAEL NOBREGA FCPA, FCA
Independent Director
Toronto, ON, Canada

JOHN REID FCPA, FCA
Independent Director
Toronto, ON, Canada

CLAUDIA KRYWIAK PHD
Independent Director
Toronto, ON, Canada

Detailed biographies, committee membership for each Board Member, and other governance details are available in IBI's Annual Information Form (AIF) and Information Circular.

Management Team

SCOTT STEWART
CEO

DAVID THOM
President

STEPHEN TAYLOR
CFO

DEREK SIMS
Global Director, Intelligence

MANSOOR KAZEROUNI
Global Director, Buildings

CARL CLAYTON
Global Director, Infrastructure

DEEPAK DARDA
Global Director, Innovation

Shareholder Information

Transfer Agent
AST Trust Company, Toronto, ON, Canada

Auditors
KPMG LLP, Toronto, ON, Canada

Principal Bank
Toronto Dominion Bank

Investor Relations
5 Quarters Investor Relations, Inc.

Annual Meeting
Friday, May 8, 2020 at 10:00 am ET
Details to follow

Investor Contact

STEPHEN TAYLOR, CFO
IBI Group Inc.
Tel +1 416 596 1930

Media Contact

JULIA HARPER, MANAGER, GLOBAL COMMUNICATIONS
IBI Group Inc.
Tel +416 596 1930 ext. 61187
julia.harper@ibigroup.com

For specific office contact information, visit ibigroup.com/contact-us/

Non-IFRS Measures and Forward Looking Statement Advisory:
The Company uses certain terms in this report and within the MD&A, such as 'adjusted EBITDA', which does not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly this measurement may not be comparable with the calculation of similar measurements used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the "Definition of Non-IFRS Measures" section in the MD&A for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS. Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes.

Common Shares Traded: TSX: IBG
Debentures Traded: IBG.DB.D
(5.5% December 31, 2021 with $8.35 conversion price)

IBI GROUP INC. 2019 MD&A + CONSOLIDATED FINANCIAL STATEMENTS

IBI

Defining the cities of tomorrow

ibigroup.com

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries ("IBI", or "the Company", or "the firm") for the three months and year ended December 31, 2019 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2019, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2019 is 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 45 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgements 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, 2019. 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. For additional information regarding the Company's risk factors please refer to the Company's Annual Information Form for the year ended December 31, 2019. 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 5, 2020.

The factors used to develop the Company's 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 which it 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 technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services operating out of 63 offices in 11 countries across the world.

IBI's one operating segment, consulting services, is concentrated in three practice areas:

INTELLIGENCE	BUILDINGS	INFRASTRUCTURE
• Software • Systems design • Systems integration • Operations • End-user services	• Architecture • Interior design • Mechanical, Structural & Electrical engineering	• Civil engineering • Landscape architecture • Planning • Transportation • Urban design

By integrating productivity tools, processes and technology innovations developed through IBI's Intelligence practice, the Company has been able to drive incremental growth in its traditional Buildings and Infrastructures practices, while generating more efficient results for IBI clients. IBI's track record of delivering premium, technology-driven results is a key firm differentiator and when combined with rising urbanization, is expected to contribute to the Company's continued growth across all three practice areas.

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, as well as other business areas.

Core Business OVERVIEW

IBI markets its services and technologies through the three practice areas outlined above and manages business operations both by geographic region, in Canada and international locations, and by sector in the United States and the United Kingdom.

Intelligence

The skills and solutions within IBI's Intelligence practice are key elements that support IBI's position as a technology-driven design firm. The consulting practice includes advisory services, the design of systems, strategic advice on systems operation, deployment and assistance through to the implementation of industry solutions. IBI provides complete systems solutions in tolling, traffic and transit management, airport groundside management, lighting, and Supervisory Control And Data Acquisition (SCADA) applications for control of water and waste-water systems. Work to deliver new solutions that can be introduced to clients is underway in the areas of smart cities, asset management (including the InForm by IBI Group solution), energy optimization (including BlueIQ), traveller information systems (including TravelIQ) and data analytics.

Buildings

The Company's expertise in architecture, interior design and mechanical, structural & electrical engineering support IBI's Buildings sector, which includes projects across a variety of building types, including social infrastructure in health care, design for education, including schools, colleges, and universities; high density, high rise residential and mixed-use developments, low-rise buildings; industrial facilities, high-rise office buildings, retail space, institutional buildings, recreation, hotel and resort facilities. While the IBI Buildings practice covers a wide range of projects, the majority of the Company's practice is focused on four building types: mixed-use and residential development, healthcare, education and transportation facilities. Continued urbanization in global centres is expected to provide a growing portfolio of potential projects.

Infrastructure

The Company's expertise in civil engineering, landscape architecture, planning, transportation and urban design support IBI's Infrastructure practice, Services provided within the Infrastructure practice support transportation development, deployment and management - within and between urban areas - including all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway, heavy rail, high-speed rail, airports, marine transportation, and highway and road systems) and for freight transportation (trucks, rail, air, and marine). While the Infrastructure business is quite diverse, the majority of the Company's practice is focused on three core areas: land engineering covering all municipal utilities (sewer, power, water, and roads); placemaking services related to brownfield redevelopment in major metropolitan areas; and transportation planning and engineering.

OUTLOOK

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

Management is forecasting approximately $388 million in total net revenue for the year ended December 31, 2020. The Company currently has $491 million of work that is committed and under contract for the next five years. This committed workload is a material factor and assumption that is 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 16 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, 2019).

The Company bases its view of industry performance on their results in relation to their direct competitors and by reports published by market analysts.

The Company has returned to Adjusted EBITDA[1] margins in line with industry averages. Based on the most recent review of this information, EBITDA margins across the industry average between 9% and 13%.

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 remains focused on opportunities to enhance profitability. In addition, the Company remains committed to strengthening its balance sheet by directing free cash flow to ongoing debt reduction, with the ultimate goal of increasing capital allocation flexibility.

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2019 *(unaudited)*	**2018** *(unaudited)*	**2019**	**2018**
Number of working days	**63**	63	**251**	252
Gross revenue	**$ 114,203**	$ 115,878	**$ 460,458**	$ 454,614
Less: Subconsultants and direct costs	**22,523**	23,491	**83,605**	86,314
Net revenue	**$ 91,680**	$ 92,387	**$ 376,853**	$ 368,300
Net income	**$ 1,892**	$ 3,685	**$ 16,849**	$ 20,491
Net income from operating activities[1]	**$ 1,955**	$ 3,242	**$ 22,015**	$ 13,930
Basic earnings per share	**$ 0.05**	$ 0.10	**$ 0.45**	$ 0.55
Diluted earnings per share	**$ 0.05**	$ 0.10	**$ 0.45**	$ 0.54
Basic earnings per share from operating activities[1]	**$ 0.05**	$ 0.09	**$ 0.59**	$ 0.37
Diluted earnings per share from operating activities[1]	**$ 0.05**	$ 0.09	**$ 0.58**	$ 0.37
Adjusted EBITDA[1]	**$ 6,809**	$ 8,162	**$ 42,026**	$ 36,538
Adjusted EBITDA[1] as a percentage of net revenue	**7.4%**	8.8%	**11.2%**	9.9%
Cash flows provided by operating activities	**$ 32,113**	$ 1,335	**$ 50,158**	$ 12,613

OVERVIEW

KEY EVENTS

- Cash flows provided by operating activities increased to $32.1 million for the three months ended December 31, 2019 compared to $1.3 million for the same period in 2018, which reflects an increase of $30.8 million. Cash flows provided by operating activities increased to $50.2 million for the year ended December 31, 2019 compared to $12.6 million for the same period in 2018, which reflects an increase of $37.6 million. The increase in cash flows provided by operating activities is primarily due to improvements in the Company's collections on accounts receivable.

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

- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2018 of 27% across the firm. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4% respectively.
- Net revenue decreased to $91.7 million for the three months ended December 31, 2019 compared to $92.4 million for the same period in 2018, which reflects a decrease of $0.7 million or 0.8%. As a result of enhanced process and controls the Company recognized a net decrease in revenue primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems, see below discussion for more detail. Net revenue increased to $376.9 million for the year ended December 31, 2019 compared to $368.3 million for the same period in 2018, which reflects an increase of $8.6 million or 2.3%.
- Adjusted EBITDA[1] of $6.8 million (or 7.4% of revenue) for the three months ended December 31, 2019 compared to $8.2 million (or 8.8% of revenue) for the same period in 2018, reflecting a decrease of $1.4 million or 17.1%. The decrease in Adjusted EBITDA[1] is primarily due to a change in estimate on various small dollar contract assets net of contract liabilities recognized prior to the implementation of the Company's ERP systems, see below discussion for more detail. Adjusted EBITDA[1] increased to $42.0 million (or 11.2% of revenue) for the year ended December 31, 2019 compared to $36.5 million (or 9.9% of revenue) for the same period in 2018, which reflects an increase of $5.5 million or 15.1%.
- As a result of the Company's continuous efforts to enhance their process and controls within the Company's ERP systems, management wrote-off in the three months ended December 31, 2019 various small dollar contract assets. These contract assets related to change orders on projects that were recognized prior to the implementation of the new ERP system. In addition, small dollar contract liabilities relating to projects where no further effort was required to satisfy the Company's performance obligations were written off. The net impact was a reduction of $1.4 million to revenue, net revenue, and Adjusted EBITDA[1] compared to the same period in 2018. The change in estimate affecting the change in contract assets and contract liabilities represented a change in approximately 600 projects. The impact to Adjusted EBITDA[1] margin was 1.3%.
- The Company's backlog of work to be completed relative to December 31, 2018 in the U.S operating segment increased by 24.4% as a result of an improved pace of securing work. The improved backlog complemented an overall increase in revenue and Adjusted EBITDA[1] for the year ended December 31, 2019 compared to the same period in 2018 which increased by $5.7 million and $7.2 million respectively. Revenue and Adjusted EBITDA[1] for the three months ended December 31, 2019 compared to the same period in 2018 decreased by $1.1 million and $2.2 million respectively. The decline in revenue and Adjusted EBITDA[1] is primarily a result of significant contracts for which work has been performed but not yet signed as the Company does not recognize revenue until the executed contracts are received. These executed documents are expected to be received in Q1 2020 and the revenue as a result of the effort spent to date will be recognized at that time. The decline in revenue and Adjusted EBITDA[1] is also a result of the write-off of $0.6 million in contract assets that were recognized prior to the implementation of the Company's ERP system.

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

- For the three months and year ended December 31, 2019, the Company recognized a reduction to Adjusted EBITDA[1] of $4.0 million and $15.5 million respectively, as a result of the implementation of IFRS 16 – *Leases* on January 1, 2019. The following table represents the impact on each of the previous four quarters as a result of the implementation:

(in thousands of Canadian dollars (unaudited)	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**Total 2019**
Adjusted EBITDA[1]	6,809	12,297	12,176	10,744	42,026
Adjusted EBITDA[1] as a percentage of revenue	7.4%	13.0%	12.6%	11.5%	11.2%
IFRS 16 lease accounting adjustment	4,015	4,434	3,616	3,432	15,497
Adjusted EBITDA[1] net of IFRS 16 impacts	10,824	16,731	15,792	14,176	57,523
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	11.8%	17.7%	16.3%	15.1%	15.3%

- 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 additional consideration to be paid dependent upon 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 $2.3 million, of which $0.5 million was paid in cash at the time of closing. In addition to the assets purchased, IBI has assumed the office lease of Aspyr, out of which operations will continue. The lease has been recorded in accordance with IFRS 16 - Leases. No working capital or any other liabilities were assumed.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended December 31, 2019 was $91.7 million, compared with $92.4 million in the same period in 2018, a decrease of $0.7 million or 0.8%. This decrease in revenue is primarily a result of a decrease in revenue in the Buildings business unit of $1.5 million, which is offset by improved performance in the Intelligence and Infrastructure business units during the period of $0.1 million and $0.8 million, respectively. Overall, net revenue decreased relative to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate revenue and net revenue for the three months ended December 31, 2019 would have been $93.1 million. The improvement in the Intelligence and Infrastructure business units would have been $0.6 million and $1.7 million, respectively.

Net revenue for the year ended December 31, 2019 was $376.9 million, compared with $368.3 million in the same period in 2018, an increase of $8.6 million or 2.3%. The increase in revenue for the year ended December 31, 2019 compared to the same period in 2018 is a result of improved performance within the Buildings and Intelligence business units with increased revenue of $6.1 million and $3.0 million, respectively. Revenues in the Infrastructure and Corporate business units decreased by $0.3 million and $0.2 million when comparing the same periods. Within net revenue is a decrease for the year ended December 31, 2019 compared to the same period in 2018 as a result of $1.4 million in write-offs primarily

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

related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate revenue and net revenue the year ended December 31, 2019 would have been $378.3 million. The improvement in the Intelligence business unit would have been $5.8 million.

As a result of an improved pace of securing future work, the Company has an increase in backlog of 27% reflecting work to be completed across the firm relative to December 31, 2018. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4%, respectively.

For the three months ended December 31, 2019, the Company had net income of $1.9 million, compared to $3.7 million in the same period in 2018. Net income for the three months ended December 31, 2019 is inclusive of the following IFRS implementation impacts, depreciation on the right-of-use assets of $2.9 million, compared to $nil in the same period in 2018; net interest expense on leases of $0.9 million, compared to $nil for the same period in 2018; base rent expense of $nil, compared to $3.4 million for the same period in 2018. Net income for the three months ended December 31, 2019 is also inclusive of a pre-tax loss in fair value of other financial liabilities of $0.7 million, compared to a pre-tax gain of $0.9 million in the same period in 2018 as a result of changing market conditions.

For the year ended December 31, 2019, the Company had net income of $16.8 million, compared to $20.5 million in the same period in 2018. Net income for the year ended December 31, 2019 is inclusive of the following IFRS implementation impacts, depreciation on right-of-use assets of $12.5 million, compared to $nil for the same period in 2018; net interest expense on leases of $3.9 million, compared to $nil for the same period in 2018; base rent expense of $nil, compared to $12.6 million for the same period in 2018. Net income for the year ended December 31, 2019 is also inclusive of a pre-tax gain in fair value of other financial liabilities of $1.2 million, compared to $9.0 million in the same period in 2018 as a result of changing market conditions.

Basic and diluted earnings per share is $0.05 for the three months ended December 31, 2019, compared to $0.10 for the same period in 2018. The reduction in basic and diluted earnings per share in the 2019 period reflects a decrease in net income of $1.8 million combined with an increase in the weighted average number of common shares outstanding which totaled 31,238,359 as at December 31, 2019 compared to 31,220,877 for the same period in 2018. The increase in common shares outstanding is a result of the exercise of stock options.

Basic and diluted earnings per share is $0.45 for the year ended December 31, 2019, compared to $0.55 and $0.54 per share, respectively, for the same period in 2018. The reduction in basic and diluted earnings per share in the 2019 period reflects a decrease in net income of $3.7 million combined with an increase in the weighted average number of common shares outstanding which totaled 31,228,505 as at December 31, 2019 compared to 31,218,102 for the same period in 2018. The increase in common shares outstanding is a result of the exercise of stock options.

For the three months ended December 31, 2019, the Company had net income from operating activities[1] attributable to common shareholders of $2.0 million, compared to $3.2 million in the same period in 2018, which reflects a decrease of $1.2 million or 37.5%, attributable to the impacts of the contract asset write-

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

offs described above. Basic and diluted earnings per share from operating activities[1] is $0.05 for the three months ended December 31, 2019 compared to $0.09 in the same period in 2018.

For the year ended December 31, 2019, the Company had net income from operating activities[1] attributable to common shareholders of $22.2 million, compared to $13.9 million in the same period in 2018, which reflects an increase of $8.3 million or 59.7%. Basic and diluted earnings per share from operating activities[1] is $0.59 and $0.58 for the year ended December 31, 2019 compared to $0.37 in the same period in 2018.

The following table provides the calculation of net income from operating activities[1] and earnings per share from operations[1] for the three months and year ended December 31, 2019 and 2018 respectively:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31,**		**YEAR ENDED DECEMBER 31,**	
(unaudited)	**2019**	**2018**	**2019**	**2018**
Net income	$ 1,892	$ 3,686	$ 16,849	$ 20,491
Adjustments net of tax[1]:				
Change in fair value of other financial liabilities	(705)	(917)	(1,152)	(9,017)
Foreign exchange loss	(128)	473	862	2,456
Depreciation of right-of-use assets	2,433	-	10,604	-
Payment of lease liabilities	(1,537)	-	(5,416)	-
Impairment on right-of-use assets	-	-	268	-
Net income from operating activities[1]	$ 1,955	$ 3,242	$ 22,015	$ 13,930
Net income from operating activities attributable to common shareholders[1]	$ 1,628	$ 2,699	$ 18,330	$ 11,597
Weighted average common shares outstanding	31,239	31,221	31,229	31,218
Dilutive effect of Class B partnership units	6,282	6,282	6,282	6,282
Dilutive effect of stock options granted	258	489	258	503
Diluted weighted average common shares	37,779	37,992	37,769	38,003
Basic earnings per share from operating activities[1]	$ 0.05	$ 0.09	$ 0.59	$ 0.37
Diluted earnings per share from operating activities[1]	$ 0.05	$ 0.09	$ 0.58	$ 0.37

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.

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2019	2018	2019	2018
(thousands of Canadian dollars, except per share amounts)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue				
Gross Revenue	**$ 114,203**	$ 115,878	**$ 460,458**	$ 454,614
Less: Subconsultants and direct costs	**22,523**	23,491	**83,605**	86,314
NET REVENUE	**$ 91,680**	$ 92,387	**$ 376,853**	$ 368,300
Expenses				
Salaries, fees and employee benefits	**66,629**	67,016	**264,168**	263,095
Base rent	**-**	3,393	**-**	12,560
Variable lease expense	**1,931**	1,700	**8,555**	9,060
Other operating expenses	**12,138**	10,560	**45,390**	41,739
Foreign exchange loss	**(75)**	616	**1,278**	3,190
Amortization of intangible assets	**572**	418	**2,051**	1,474
Depreciation of property and equipment	**1,422**	1,335	**5,141**	4,536
Depreciation of right of use assets	**2,868**	-	**12,506**	-
Change in fair value of other financial liabilities	**(705)**	(917)	**(1,152)**	(9,017)
Impairment of financial assets	**688**	794	**2,598**	1,397
Impairment of right of use assets	**-**	-	**268**	-
	85,468	84,915	**340,803**	328,034
OPERATING INCOME	**$ 6,212**	$ 7,472	**$ 36,050**	$ 40,266
Interest expense, net	**3,030**	2,149	**12,426**	10,939
Other finance costs	**268**	240	**872**	1,133
FINANCE COSTS	**$ 3,298**	$ 2,389	**$ 13,298**	$ 12,072
NET INCOME BEFORE TAX	**$ 2,914**	$ 5,083	**$ 22,752**	$ 28,194
Current tax expense	**1,336**	(508)	**4,214**	1,581
Deferred tax expense	**(314)**	1,906	**1,689**	6,122
INCOME TAX EXPENSE	**$ 1,022**	$ 1,398	**$ 5,903**	$ 7,703
NET INCOME	**$ 1,892**	$ 3,685	**$ 16,849**	$ 20,491
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Gain on translating financial statements of foreign operations, from continuing operations, net of tax	**(516)**	4,699	**(4,119)**	6,287
OTHER COMPREHENSIVE INCOME	**(516)**	4,699	**(4,119)**	6,287
TOTAL COMPREHENSIVE INCOME	**$ 1,376**	$ 8,384	**$ 12,730**	$ 26,778
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	**1,576**	3,069	**14,028**	17,059
Non-controlling interests	**316**	616	**2,821**	3,432
NET INCOME	**$ 1,892**	$ 3,685	**$ 16,849**	$ 20,491
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common shareholders	**1,146**	6,980	**10,598**	22,293
Non-controlling interests	**230**	1,404	**2,132**	4,485
TOTAL COMPREHENSIVE INCOME	**$ 1,376**	$ 8,384	**$ 12,730**	$ 26,778
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic earnings per share	**$ 0.05**	$ 0.10	**$ 0.45**	$ 0.55
Diluted earnings per share	**$ 0.05**	$ 0.10	**$ 0.45**	$ 0.54

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, 2019 was $91.7 million, compared with $92.4 million in the same period in 2018, a decrease of $0.7 million or 0.8%. The decrease in revenue for the three months ended December 31, 2019 compared to the same period in 2018 is primarily a result of a decrease in revenue in the Buildings business unit of $1.5 million. This decrease is offset by improved performance in the Intelligence and Infrastructure business units of $0.1 million and $0.8 million, respectively. Overall, net revenue decreased for the three months ended December 31, 2019 when compared to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate, revenue and net revenue for the three months ended December 31, 2019 would have been $93.1 million. The improvement in the Intelligence and Infrastructure business units would have been $0.6 million and $1.7 million, respectively.

Net revenue for the year ended December 31, 2019 was $376.9 million, compared with $368.3 million in the same period in 2018, an increase of $8.6 million or 2.3%. The increase in revenue for the year ended December 31, 2019 compared to the same period in 2018 is a result of improved performance within the Buildings and Intelligence business units with revenue increase of $6.1 million and $3.0 million, respectively. Revenues in the Infrastructure and Corporate business units decreased by $0.3 million and $0.2 million over the same periods. Within net revenue is a decrease for the year ended December 31, 2019 when compared to the same period in 2018 as a result of $1.4 million in write-offs primarily related to a change in estimate on various small dollar contract assets net of contract liabilities that were recognized prior to the implementation of the Company's ERP systems. Adjusting for this change in estimate, revenue and net revenue for the year ended December 31, 2019 would have been $378.3 million. The overall improvement in the Intelligence business unit would been $5.8 million.

As a result of the Company's improved pace of securing future work, there is a 27% increase in backlog of work to be completed across the firm, relative to December 31, 2018. The Canadian and U.S segments had particularly strong increases of 29.1% and 24.4%, respectively the latter which is expected to offset the impact of delayed work in the U.S Buildings segment in the fourth quarter of 2019.

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

(unaudited)	**DECEMBER 31, 2019**	**SEPTEMBER 30, 2019**	**JUNE 30, 2019**	**MARCH 31, 2019**	**DECEMBER 31, 2018**	**SEPTEMBER 30, 2018**	**JUNE 30, 2018**	**MARCH 31, 2018**
Number of working days	63	63	63	62	63	63	64	62

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2019 totaled $66.6 million compared to $67.0 million in the same period in 2018. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended December 31, 2019 were 72.7% compared to 72.5% for the same period in 2018.

Salaries, fees, and employee benefits for the year ended December 31, 2019 were $264.2 million compared to $263.1 million in the same period in 2018. As a percentage of net revenues, salaries, fees and employee benefits for the year ended December 31, 2019 was 70.1% compared to 71.4% for the same period in 2018.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2019 was $0.3 million compared to the same period in 2018, and for the year ended December 31, 2019 was an increase in expense of $1.6 million relative to the same period in 2018.

iii) RENT & VARIABLE LEASE EXPENSE

Base rent for the three months ended December 31, 2019 was $nil compared to $3.4 million in the same period in 2018. Base rent for the year ended December 31, 2019 was $nil compared to $12.6 million in the same period in 2018. As at January 1, 2019, the Company implemented the new IFRS 16 *Leases* standard resulting in real estate leases to be classified as a right-of-use asset and the obligations related to the lease payments as lease liabilities on the statement of financial position. As a result, for the three months and year ended December 31, 2019 on the statement of profit and loss the Company no longer presents base rent expense and has included depreciation expense of $2.9 million and $12.5 million on right-of-use assets, interest expense of $1.0 million and $4.3 million on lease liabilities, and interest income of $0.1 million and $0.4 million on lease receivables.

Variable lease expense for the three months ended December 31, 2019 was $1.9 million compared to $1.7 million in the same period in 2018. Variable lease expenses for the year ended December 31, 2019 was $8.6 million compared to $9.1 million in the same period in 2018. Variable lease expense includes items such as utilities, property taxes, and other common area maintenance costs on real estate contracts, as well as any real estate contracts where the practical expedient was applied under IFRS 16 (short-term leases or low-dollar value leases).

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2019 totaled $12.1 million compared to $10.6 million in the same period in 2018, an increase of $1.5 million or 14.2%. As a percentage of net revenue, operating expenses for the three months ended December 31, 2019 were 13.2% compared with 11.4% for the same period in 2018.

Other operating expenses for the year ended December 31, 2019 totaled $45.4 million compared with $41.7 million in the same period in 2018, an increase of $3.7 million or 8.9%. As a percentage of net revenues, operating expenses for the year ended December 31, 2019 were 12.0% compared to 11.3% for the same period in 2018. Relative to the same period in 2018, for the year ended December 31, 2019, the Company incurred an increase of $1.6 million in leased computers and equipment stemming from system and equipment upgrades that support its commitment to becoming an industry leading, technology-driven firm. These leased assets are exempt from the new lease accounting standard, IFRS 16 *Leases*, due to the

exemption of items deemed to be of low-dollar value. The remainder of the increase for the year ended December 31, 2019 compared to the same period in 2018 is in line with the Company's revenue growth.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2019 was an increase of $1.0 million compared to the same period in 2018, and for the year ended December 31, 2019 was an increase in expense of $1.4 million compared with the same period in 2018.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange gain for the three months ended December 31, 2019 was $0.1 million compared to a loss of $0.6 million in the same period in 2018. Foreign exchange loss for the year ended December 31, 2019 was $1.3 million compared to $3.2 million for the same period in 2018.

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 are not considered part of the permanent investment in those foreign subsidiaries; offset by the foreign exchange impact of the U.S dollar drawings on its credit facilities.

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 the available liquidity of its credit facilities which is impacted by foreign exchange rate fluctuations between the Canadian and U.S dollar, and strives to ensure that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) CHANGE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

The change in fair value of other financial liabilities for the three months ended December 31, 2019 was a gain of $0.7 million compared to $0.9 million for the same period in 2018. The change in fair value of other financial liabilities for the year ended December 31, 2019 was a gain of $1.2 million compared to $9.0 million for the same period in 2018. 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 interest rate, and IBI's credit risk.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended December 31, 2019 was $0.6 million compared to $0.4 million for the same period in 2018. Amortization of intangible assets for the year ended December 31, 2019 was $2.1 million compared to $1.5 million for the same period in 2018. The increase in amortization of intangible assets for the three months and year ended December 31, 2019 is due to additions to intangible assets through the period and bringing new processes and assets into use.

viii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended December 31, 2019 was $1.4 million compared to $1.3 million for the same period in 2018. Amortization of property and equipment for the year ended December 31, 2019 was $5.1 million compared to $4.5 million for the same period in 2018.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2019 was $0.7 million compared to $0.8 million for the same period in 2018. Impairment of financial assets for the year ended December 31, 2019 was $2.6 million compared to $1.4 million for the same period in 2018.

x) IMPAIRMENT OF RIGHT-OF-USE ASSET

Recovery on impairment of right-of-use asset for the three months ended December 31, 2019 and 2018 was $nil. Impairment of right-of-use asset for the year ended December 31, 2019 was $0.3 million compared to $nil for the same period of 2018. The impairment is a result of a real estate sublease during the period that impacted the recovery of the right-of-use asset for the year ended December 31, 2019.

xi) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended December 31, 2019 was $2.9 million compared to $nil for the same period in 2018. Depreciation of right-of-use assets for the year ended December 31, 2019 was $12.5 million compared to $nil for the same period in 2018. The increase in the depreciation is a result of the Company implementing the new IFRS 16 *Leases* standard as at January 1, 2019, which resulted in the recognition of the right-of-use assets on the statement of financial position at the date of transition and the corresponding depreciation of the asset recognized on the statement of profit and loss for the three months and year ended December 31, 2019.

xii) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended December 31, 2019 was $3.0 million compared to $2.1 million for the same period in 2018. Interest expense for the year ended December 31, 2019 was $12.4 million compared to $10.9 million for the same period in 2018. Relative to the same periods in 2018, for the three months and year ended December 31, 2019, interest on convertible debentures decreased by $nil and $0.8 million, respectively, while accretion on convertible debentures increased by $0.1 million and decreased by $2.3 million respectively. Interest and accretion on convertible debentures decreased for the three months and year ended December 31, 2019 when compared to the same period in 2018 as a result of the redemption of the 7% convertible debentures in September 2018. The decrease due to the redemption was offset by an increase in net interest on lease liabilities and lease receivables for the three months and year ended December 31, 2019 of $0.9 million and $3.9 million, respectively, as a result of the implementation of IFRS 16 Lease Accounting.

Other finance costs were $0.3 million for the three months ended December 31, 2019 compared to $0.2million for the same period in 2018. Other finance costs for the year ended December 31, 2019 were $0.9 million compared to $1.1 million for the same period in 2018.

Following is a summary of finance costs for the years ended December 31, 2019 and 2018:

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Interest on credit facilities	$ 3,310	$ 2,785
Interest on convertible debentures	2,530	3,295
Non-cash accretion of convertible debentures	2,555	4,811
Interest on lease liability	4,264	-
Interest on lease receivable	(356)	-
Other	123	48
INTEREST EXPENSE	$ 12,426	$ 10,939
Amortization of deferred financing costs	$ 457	$ 512
Other	415	621
OTHER FINANCE COSTS	$ 872	$ 1,133
FINANCE COSTS	$ 13,298	$ 12,072

xiii) INCOME TAXES

Income taxes for the three months and year ended December 31, 2019 were $1.0 million and $5.9 million, respectively (three months and year ended December 31, 2018 - $1.4 million and $7.7 million, respectively). The effective income tax rate for the three months and year ended December 31, 2019 was 35.1% and 25.9%, respectively (three months and year ended December 31, 2018 – 27.5% 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.

xiv) NET INCOME

Net income for the three months ended December 31, 2019 was $1.9 million compared to $3.7 million for the same period in 2018. Net income for the year ended December 31, 2019 was $16.8 million compared to $20.5 million for the same period in 2018. One primary factor of the decrease in net income for both the three months and year end December 31, 2019 compared to the same period in 2018 is the change in fair value of other financial liabilities. The change in fair value of other financial liabilities for the three months and year ended December 31, 2019 were gains of $0.7 million and $1.2 million respectively, compared to gains of $0.9 million and $9 million for the same periods in 2018. This resulted in decreases of net income for the three months and year ended December 31, 2019 compared to the same periods in 2018 of $0.2 million and $7.8 million respectively. Other factors impacting the change in net income have been set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months and year ended December 31, 2019 decreased by $1.4 million and increased by $5.5 million respectively when compared to the same period in 2018 (see table for Adjusted EBITDA[1] for the previous eight quarters in this MDA).

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, 2019 and 2018:

(in thousands of Canadian dollars) *(unaudited)*	THREE MONTHS ENDED DECEMBER 31, 2019	2018	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Gross revenue	114,203	115,878	(1,675)	76	(1,751)
Less: Subconsultants and direct costs	22,523	23,491	(968)	155	(1,123)
Net revenue	91,680	92,387	(707)	(79)	(628)
Total operating expenses, net of foreign exchange gain & loss	85,543	84,299	1,244	(414)	1,658

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019	2018	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Gross revenue	460,458	454,614	5,844	3,455	2,389
Less: Subconsultants and direct costs	83,605	86,314	(2,709)	(824)	(1,885)
Net revenue	376,853	368,300	8,553	4,280	4,273
Total operating expenses, net of foreign exchange gain & loss	339,525	324,844	14,681	1,548	13,133

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

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, 2019	**DECEMBER 31, 2018**	**DECEMBER 31, 2017**
(in thousands of Canadian dollars, except per share amounts)			*(as adjusted)*
Gross Revenue	$ 460,458	$ 454,614	$ 462,045
Less: Subconsultants and direct costs	$ 83,605	$ 86,314	$ 100,637
Net Revenue	$ 376,853	$ 368,300	$ 361,408
NET INCOME	$ 16,849	$ 20,491	$ 6,641
Basic earnings per share	$ 0.45	$ 0.55	$ 0.18
Diluted earnings per share	$ 0.45	$ 0.54	$ 0.18

	DECEMBER 31, 2019	**DECEMBER 31, 2018**	**DECEMBER 31, 2017**
(in thousands of Canadian dollars)		*(restated)*	*(restated)*
TOTAL ASSETS	$ 318,303	$ 241,772	$ 234,618
Onerous lease provisions	$ -	312	$ 1,082
Finance lease obligation	$ -	-	$ 31
Credit facilities	$ 50,328	75,548	$ 63,842
Convertible debentures	$ 39,768	37,213	$ 47,157
Other financial liabilities	$ 2,842	3,994	$ 13,011
Deferred tax liabilities	$ 4,702	3,833	$ 2,238
TOTAL LONG-TERM LIABILITIES	$ 97,640	$ 120,900	$ 127,361

ADJUSTED EBITDA[1]

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following tables provide revenue and Adjusted EBITDA[1] by Business unit for the three months and year ended December 31, 2019 and 2018.

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2019				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 24,948	$ 55,243	$ 33,954	$ 58	$ 114,203
Less: subconsultants and direct expenses	7,124	11,002	4,366	31	22,523
Net revenue	$ 17,824	$ 44,241	$ 29,588	$ 27	$ 91,680
Adjusted EBITDA[1]	$ 2,688	$ 2,001	$ 3,556	$ (1,436)	$ 6,809
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	146	428	270	2,186	3,030
Amortization and depreciation	912	2,346	1,395	209	4,862
Foreign exchange (gain) loss	(1)	(37)	(32)	(5)	(75)
Change in fair value of other financial liabilities	-	-	-	(705)	(705)
Change in fair value of deferred share units	-	-	-	383	383
Stock based compensation	26	22	37	105	190
Performance share units	-	-	-	111	111
Deferred financing charges	-	-	-	114	114
IFRS 16 lease accounting adjustment	(714)	(2,119)	(1,177)	(5)	(4,015)
Net income before tax	$ 2,319	$ 1,361	$ 3,063	$ (3,829)	$ 2,914

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2018				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 23,292	$ 57,705	$ 34,656	$ 225	$ 115,878
Less: subconsultants and direct expenses	5,556	11,959	5,923	53	23,491
Net revenue	$ 17,736	$ 45,746	$ 28,733	$ 172	$ 92,387
Adjusted EBITDA[1]	$ 3,433	$ 3,982	$ 3,685	$ (2,937)	$ 8,163
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	5	14	10	2,120	2,149
Amortization and depreciation	296	860	524	73	1,753
Foreign exchange (gain) loss	560	(6)	86	(25)	615
Change in fair value of other financial liabilities	-	-	-	(917)	(917)
Change in fair value of deferred share units	-	-	-	(82)	(82)
Stock based compensation	37	32	64	119	252
Performance share units	-	-	-	68	68
Deferred financing charges	-	-	-	108	108
Onerous lease	-	-	-	(867)	(867)
Net income before tax	$ 2,535	$ 3,082	$ 3,001	$ (3,534)	$ 5,084

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

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2019				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 87,908	$ 242,441	$ 129,470	$ 639	$ 460,458
Less: subconsultants and direct expenses	19,095	45,738	18,605	167	83,605
Net revenue	$ 68,813	$ 196,703	$ 110,865	$ 472	$ 376,853
Adjusted EBITDA[1]	$ 10,060	$ 31,140	$ 11,532	$ (10,706)	$ 42,026
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	651	1,911	1,195	8,669	12,426
Amortization and depreciation	3,663	9,546	5,637	852	19,698
Foreign exchange (gain) loss	995	(8)	301	(10)	1,278
Change in fair value of other financial liabilities	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	567	567
Stock based compensation	120	103	187	487	897
Performance share units	-	-	-	599	599
Deferred financing charges	-	-	-	457	457
IFRS 16 lease accounting adjustment	(2,644)	(7,573)	(4,232)	(1,047)	(15,496)
Net income before tax	$ 7,275	$ 27,161	$ 8,444	$ (20,128)	$ 22,752

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2018				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 83,649	$ 238,601	$ 131,579	$ 785	$ 454,614
Less: subconsultants and direct expenses	17,824	47,963	20,403	124	86,314
Net revenue	$ 65,825	$ 190,638	$ 111,176	$ 661	$ 368,300
Adjusted EBITDA[1]	$ 10,956	$ 24,972	$ 11,611	$ (11,001)	$ 36,538
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	90	21	21	10,807	10,939
Amortization and depreciation	1,003	3,018	1,751	238	6,010
Foreign exchange (gain) loss	1,678	729	757	26	3,190
Change 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	180	167	338	537	1,222
Performance share units	-	-	-	147	147
Deferred financing charges	-	-	-	512	512
Onerous lease	-	-	-	(3,426)	(3,426)
Net income before tax	$ 8,005	$ 21,037	$ 8,744	$ (9,592)	$ 28,194

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

ADJUSTED EBITDA[1] FOR THE PREVIOUS EIGHT QUARTERS

The following table summarizes quarterly historical financial results for the Company for each of the eight most recently completed quarters and outlines the items which comprise the difference between net income (loss) and Adjusted EBITDA[1]. This information should be read in conjunction with the applicable unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(in thousands of Canadian dollars except for per share amounts) (unaudited)	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018
Gross revenue	114,203	114,821	117,760	113,674	115,878	112,467	114,940	111,329
Less: Subconsultants and direct costs	22,523	20,201	20,940	19,941	23,491	20,448	21,861	20,514
Net revenue	91,680	94,620	96,820	93,733	92,387	92,019	93,079	90,815
Net Income	1,892	8,690	3,917	2,351	3,685	8,021	1,229	7,556
Add:								
Interest expense, net	3,030	3,177	3,133	3,086	2,149	3,971	2,348	2,471
Current and deferred tax expense	1,022	1,544	2,082	1,255	1,398	1,717	2,224	2,364
Amortization and Depreciation	4,862	5,045	4,886	4,905	1,753	1,516	1,425	1,316
	8,914	9,766	10,101	9,246	5,300	7,204	5,997	6,151
EBITDA	**10,806**	**18,456**	**14,018**	**11,597**	**8,985**	**15,225**	**7,226**	**13,707**
EBITDA as a percentage of revenue	**11.8%**	**19.5%**	**14.5%**	**12.4%**	**9.7%**	**16.5%**	**7.8%**	**15.1%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain) loss	(75)	72	467	814	615	591	1,433	551
Change in fair value of other financial liabilities	(705)	(2,171)	851	872	(917)	(4,661)	628	(4,067)
Change in fair value of deferred share units	383	(61)	(33)	278	(82)	(832)	(70)	(249)
Stock based compensation	190	210	260	237	252	277	373	320
Performance share units	111	111	116	261	68	31	35	13
Deferred financing charges	114	114	113	117	108	133	133	138
Change in onerous lease provision	-	-	-	-	(867)	(611)	(678)	(1,270)
IFRS 16 lease accounting adjustment	(4,015)	(4,434)	(3,616)	(3,432)	-	-	-	-
	(3,997)	(6,159)	(1,842)	(853)	(823)	(5,072)	1,854	(4,564)
Adjusted EBITDA[1]	**6,809**	**12,297**	**12,176**	**10,744**	**8,162**	**10,153**	**9,080**	**9,143**
Adjusted EBITDA[1] as a percentage of revenue	**7.4%**	**13.0%**	**12.6%**	**11.5%**	**8.8%**	**11.0%**	**9.8%**	**10.1%**
Adjusted EBITDA[1] net of IFRS 16 impacts	**10,824**	**16,731**	**15,792**	**14,176**	**8,162**	**10,153**	**9,080**	**9,143**
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	**11.8%**	**17.7%**	**16.3%**	**15.1%**	**8.8%**	**11.0%**	**9.8%**	**10.1%**
Earnings per share attributed to common shareholders	0.05	0.23	0.10	0.06	0.10	0.22	0.03	0.20
Weighted average share outstanding	31,238,359	31,225,220	31,225,044	31,222,312	31,220,877	31,220,877	31,220,877	31,209,776

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

To conform with the definitions reflected within its lending agreement, the Company's adjustments to Adjusted EBITDA[1] includes the impact of net cash rent paid which is now reflected below EBITDA as interest and amortization of right-of-use assets due to the implementation of IFRS 16. As a result, the impact to Adjusted EBITDA[1] for the three months and year ended December 31, 2019 is a reduction of $4.0 million and $15.5 million, respectively. If the Company did not adjust for these items and conformed with the industry practice, Adjusted EBITDA[1] for the three months and year end December 31, 2019 would be $10.8 million (11.8% of net revenue) and $57.5 million (15.3% of net revenue), respectively.

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 due to staff taking vacation during the summer months. 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). The number of working days for the three months and year ended December 31, 2019 were unchanged compared to the same periods in 2018.

Net revenue is also impacted by the movement in foreign exchange rates. For the eight most recently completed quarters, the following table provides the impact of foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars) (unaudited)	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018
Gain (loss) of foreign exchange on gross revenue	76	124	1,169	2,087	1,947	446	(1,292)	(729)
Loss (gain) of foreign exchange on subconsultants and direct costs	155	(92)	(345)	(543)	(558)	(60)	(271)	(171)
Gain (loss) of foreign exchange on net revenue	(79)	216	1,514	2,630	2,505	506	(1,021)	(558)

ii) NET INCOME (LOSS)

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

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

(thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED DECEMBER 31, 2019		
	2019 as Reported	**2019 before IFRS 16**	**Increase (Decrease)**
NET REVENUE	$ 91,680	$ 91,681	$ (1)
Expenses			
Base rent	-	3,699	(3,699)
Other operating expenses	12,138	12,327	(189)
Depreciation of right-of-use assets	2,868	-	2,868
Impairment of right-of-use assets	-	-	-
OPERATING INCOME	$ 6,212	$ 5,193	$ 1,019
Interest expense, net	3,030	2,076	954
NET INCOME	$ 1,892	$ 1,827	$ 65

(thousands of Canadian dollars, except per share amounts)	YEAR ENDED DECEMBER 31, 2019		
	2019 as Reported	**2019 before IFRS 16**	**Increase (Decrease)**
NET REVENUE	$ 376,853	$ 376,814	$ 39
Expenses			
Base rent	-	14,313	(14,313)
Other operating expenses	45,390	46,196	(806)
Depreciation of right-of-use assets	12,506	-	12,506
Impairment of right-of-use assets	268	-	268
OPERATING INCOME	$ 36,050	$ 33,666	$ 2,384
Interest expense, net	12,426	8,518	3,908
NET INCOME	$ 16,849	$ 18,373	$ (1,524)

iii) ADJUSTED EBITDA[1]

Adjusted EBITDA[1] was $6.8 million for the three months ended December 31, 2019 compared to $8.2 million for the same period in 2018. Adjusted EBITDA[1] was $42.0 million for the year ended December 31, 2019 compared to $36.5 million for the same period in 2018. Refer to the Adjusted EBITDA[1] table above for the changes in the factors which affect the balance period over period.

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

For the three months and year ended December 31, 2019, the reduction to Adjusted EBITDA[1] related to the onerous lease provision decreased by $0.8 million and $2.8 million respectively, due to a decrease in cash outflows as a result of the renegotiation of the sublease related to the onerous lease at the end of 2017. The Company recognized an increase in rent expense as part of net earnings in 2017 at the time of the sub-lease renegotiation and subsequent onerous lease provision revaluation, but had no impact on Adjusted EBITDA[1] in the same period in 2017. The IFRS 16 lease accounting adjustment in the three months and year ended December 31, 2019 includes all cash rent payments made by the corporation and cash outflows as a result of onerous leases. IFRS 16 captures the effect of this adjustment through depreciation on the right-of-use assets, impairment on right-of-use assets, and net interest expense on the lease liability and lease receivable.

SEGMENTED ADJUSTED EBITDA[1]

The following tables provide financial data for the three months and year ended December 31, 2019 and 2018 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.

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

	THREE MONTHS ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross revenues	$ 62,294	$ 34,198	$ 8,290	$ 9,421	$ -	$ 114,203
Less: subconsultants and direct expenses	7,771	9,193	1,604	3,955	-	22,523
Net revenue	$ 54,523	$ 25,005	$ 6,686	$ 5,466	$ -	$ 91,680
Adjusted EBITDA[2]	$ 7,086	$ (167)	$ (550)	$ 439	$ 1	$ 6,809
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	655	253	35	29	2,058	3,030
Amortization and depreciation	2,357	1,831	416	258	-	4,862
Foreign exchange (gain) loss	21	(154)	41	17	-	(75)
Change in fair value of other financial liabilities	-	-	-	-	(705)	(705)
Change in fair value of deferred share units	-	-	-	-	383	383
Stock based compensation	167	10	3	10	-	190
Performance share units	111	-	-	-	-	111
Deferred financing charges	-	-	-	-	114	114
IFRS 16 lease accounting adjustment	(1,952)	(1,545)	(282)	(236)	-	(4,015)
Net income (loss) before tax	$ 5,727	$ (562)	$ (763)	$ 361	$ (1,849)	$ 2,914

	THREE MONTHS ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross Revenues	$ 59,910	$ 35,930	$ 8,541	$ 11,497	$ -	$ 115,878
Less: subconsultants and direct expenses	7,528	9,840	1,432	4,691	-	23,491
Net revenue	$ 52,382	$ 26,090	$ 7,109	$ 6,806	$ -	$ 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
Change 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] 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.
[2] *See "Definition of Non-IFRS Measures".*

	YEAR ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 250,348	$ 144,165	$ 31,909	$ 34,036	$ -	$ 460,458
Less: subconsultants and direct expenses	29,477	37,090	4,778	12,260	-	83,605
Net revenue	$ 220,871	$ 107,075	$ 27,131	$ 21,776	$ -	$ 376,853
Adjusted EBITDA[2]	$ 32,458	$ 6,580	$ 341	$ 2,647	$ -	$ 42,026
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	2,494	1,259	164	114	8,395	12,426
Amortization and depreciation	9,749	7,189	1,790	970	-	19,698
Foreign exchange (gain) loss	194	(504)	(127)	1,715	-	1,278
Change in fair value of other financial liabilities	-	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	-	567	567
Stock based compensation	790	55	9	43	-	897
Performance share units	599	-	-	-	-	599
Deferred financing charges	-	-	-	-	457	457
IFRS 16 lease accounting adjustment	(7,308)	(6,309)	(1,184)	(695)	-	(15,496)
Net income (loss) before tax	$ 25,940	$ 4,890	$ (311)	$ 500	$ (8,267)	$ 22,752

	YEAR ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 244,826	$ 136,785	$ 33,355	$ 39,648	$ -	$ 454,614
Less: subconsultants 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]	$ 29,318	$ (640)	$ 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
Change 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	$ 28,337	$ (3,208)	$ 15	$ 4,121	$ (1,071)	$ 28,194

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

Adjusted EBITDA[1] in the U.S segment for the three months and year ended December 31, 2019 was a loss of $0.2 million and a positive generation of $6.6 million respectively, compared to $2.0 million generated and a loss of $0.6 million, respectively, for the three months and year ended December 31, 2018. Adjusted EBITDA[1] for the three months ended December 31, 2019 and the increase in Adjusted EBITDA[1] for the U.S segment reflected a decrease for the year ended December 31, 2019 when compared to the same period in 2018, primarily due to the changes in revenues discussed previously in the MD&A. The revenue decrease in the U.S segment for the three months ended December 31, 2019 compared to the same period in 2018 reflects decreased performance within the Buildings and Infrastructure business units. Revenue in the U.S Buildings business unit decreased by $1.0 million or 6.8% and revenue in the U.S Infrastructure business unit decreased by $0.6 million or 8.2%. The revenue increase in the U.S segment for the year ended December 31, 2019 compared to the same period in 2019 is due to improved performance in the Buildings and Intelligence business unit offset by decreased performance in the Infrastructure business unit. Revenue changes in the three business units of the U.S segment were as follows: Buildings increased by $4.8 million or 8.7%, Intelligence increased by $1.5 million or 7.8%, and Infrastructure decreased by $0.8 million or 2.9%

As at December 31, 2019 the U.S segment has an increase in backlog of work to be completed relative to December 31, 2018 of 24.4%. The increase in backlog is a result of the Company's improved pace of securing future work and positions the Company for improved results in the U.S segment for the first quarter of 2020 relative to the fourth quarter in 2019.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the Company's working capital information:

(in thousands of Canadian dollars)	**DECEMBER 31, 2019**	**DECEMBER 31, 2018** *(as adjusted)*	**CHANGE**
Current assets	**$ 204,927**	$ 201,930	$ 2,997
Current liabilities	**(101,126)**	(83,605)	(17,521)
WORKING CAPITAL	**103,801**	118,325	(14,524)

Current assets increased by $3.0 million as at December 31, 2019 when compared with December 31, 2018. This was due to an increase of $1.5 million in contract assets, an increase of $0.5 million in lease receivables, an increase in cash of $6.2 million, and an increase in income taxes recoverable of $0.9 million offset by a decrease of $5.2 million in accounts receivable and a decrease in prepaid and other assets of $0.9 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2019 of $3.9 million.

Current liabilities increased by $17.5 million as at December 31, 2019 when compared with December 31, 2018. This was due to an increase of $13.3 million in lease liability, an increase in purchase obligation of $0.5 million, an increase in accounts payable and accrued liabilities of $5.5 million, and an increase in contract liabilities of $1.0 million, offset by a decrease of $1.2 million in income taxes payable, and a decrease in onerous lease provision of $1.5 million.

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

The increase in the current portion of lease receivable and lease liability is the result of the Company implementing the IFRS 16 *Leases* standard with no impact to prior year financial information. Lease receivable includes all future cash inflows discounted at the Company's incremental borrowing rate. Lease liability includes all future cash outflows discounted at the Company's incremental borrowing rate, which is offset by the right-of-use assets for those assets used by the Company and lease receivable for those assets that are subleased to third parties.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2019 of $1.1 million.

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

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

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

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019***	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*	***DECEMBER 31, 2018*** *(as adjusted)*
Accounts receivable	*53*	*56*	*56*	*56*	*59*
Contract assets	*31*	*35*	*35*	*35*	*32*
Contract liabilities	*(20)*	*(18)*	*(19)*	*(21)*	*(21)*
	64	*73*	*72*	*70*	*70*

The days sales outstanding ("DSO") as at December 31, 2019 has decreased by six days compared to December 31, 2018. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the DSO 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 DSO.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2019***	***SEPTEMBER 30, 2019*** *(unaudited)*	***JUNE 30, 2019*** *(as adjusted)*	***MARCH 31, 2019*** *(as adjusted)*	***DECEMBER 31, 2018*** *(as adjusted)*
Accounts receivable	*109.6*	*112.5*	*112.5*	*110.6*	*114.8*
Contract assets	*63.4*	*69.8*	*70.6*	*68.8*	*61.9*
Contract liabilities	*(41.4)*	*(37.2)*	*(38.9)*	*(40.4)*	*(40.4)*
	131.6	*145.1*	*144.2*	*139.0*	*136.3*

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

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance)	***DECEMBER***		***SEPTEMBER***		***JUNE***		***MARCH***		***DECEMBER***	
(in thousands of Canadian dollars)	***31, 2019*** *(unaudited)*	***%***	***30, 2019*** *(unaudited)*	***%***	***30, 2019*** *(unaudited)*	***%***	***31, 2019*** *(unaudited)*	***%***	***31, 2018***	***%***
Current	43,838	40	40,839	36	45,509	40	37,728	34	40,327	35
30 to 90 days	36,642	33	33,013	29	32,403	29	34,317	31	40,451	35
Over 90 days	29,101	27	38,690	34	34,602	31	38,574	35	34,018	30
TOTAL	109,581	100	112,542	100	112,514	100	110,619	100	114,796	100

Accounts receivable has decreased by $5.2 million since December 31, 2018. There was a decrease in accounts receivable due to foreign exchange as at December 31, 2019 of $1.9 million compared to an increase due to foreign exchange of $2.9 million as at December 31, 2018. As at December 31, 2019, the Company had $10.3 million in accounts receivable outstanding on large transit projects which are expected to be collected in the normal course of business. The accounts receivable outstanding on the same projects as at December 31, 2018 was $15.8 million.

ii) Contract Assets

Contract assets increased by $1.5 million since December 31, 2018. There was a decrease of $1.4 million in contract assets due to foreign exchange as at December 31, 2019 compared to an increase due to foreign exchange of $1.8 million as at December 31, 2018. As at December 31, 2019, the Company had $16.7 million in contract assets outstanding on large transit projects which are expected to be billed and collected in the normal course of business. The contract assets outstanding on the same projects as at December 31, 2018 totaled $14.7 million.

iii) Contract Liabilities

Contract liabilities has increased by $1.0 million since December 31, 2018. There was a decrease in contract liabilities due to foreign exchange as at December 31, 2019 of $0.5 million compared to an increase due to foreign exchange of $1.4 million as at December 31, 2018. The balance is monitored on a regular basis to ensure that amounts are appropriately recognized in fee revenue.

CASH FLOWS

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

(in thousands of Canadian dollars) (unaudited)	THREE MONTHS ENDED DECEMBER 31, **2019**	 2018	***CHANGE***
Cash flows provided by operating activities	**32,113**	1,335	30,778
Cash flows used in financing activities	***(23,650)***	*(274)*	*(23,376)*
Cash flows used in investing activities	***(1,542)***	*(1,965)*	*423*

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, **2019**	 2018	***CHANGE***
Cash flows provided by operating activities	**50,158**	12,613	37,545
Cash flows used in financing activities	***(30,913)***	*(4,676)*	*(26,237)*
Cash flows used in investing activities	***(11,225)***	*(8,391)*	*(2,834)*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended December 31, 2019 were $32.1 million, an increase of $30.8 million compared to cash flows used in operating activities of $1.3 million for the same period in 2018. The increase in operating cash flows is mainly attributable to an increase of non-cash operating working capital of $34.3 million, an increase of net income net of items not affecting cash of $0.4 million, offset by an increase in taxes paid of $3.2 million, and an increase in interest paid of $0.8 million.

Cash flows provided by operating activities for the year ended December 31, 2019 were $50.1 million, an increase of $37.5 million compared to cash flows provided by operating activities of $12.6 million for the same period in 2018. The increase in operating cash flows is mainly attributable to an increase of non-cash operating working capital of $27.4 million, an increase of net income net of items not affecting cash of $19.5 million, offset by an increase in taxes paid of $5.6 million, and an increase in interest paid of $3.7 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2019 were $23.7 million, a decrease of $23.4 million compared to cash flows used in financing activities of $0.3 million for the same period in 2018. The increase in cash flows used in financing activities is mainly attributable to an increase of $21.8 million in cash payments on the credit facility, and an increase of $1.7 million in payments on principal of lease liability as a result of the implementation of the new IFRS 16 *Leases* standard with no impact on prior year financial information.

Cash flows used in financing activities for the year ended December 31, 2019 were $30.9 million, an increase of $26.2 million compared with cash flows used in financing activities of $4.7 million for the same period in 2018. The increase in cash flows used in financing activities is mainly attributable to an increase of $35.5 million in cash payments on the credit facility, and an increase of $5.8 million in payments on principal of lease liability as a result of the implementation of the new IFRS 16 *Leases* standard with no impact on prior year financial information.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2019 were $1.5 million, a decrease of $0.5 million compared to cash flows used in investing activities of $2.0 million for the same period in 2018. The decrease in cash flows used in investing activities is mainly attributable to a decrease in capital expenditures of property and equipment of $0.8 million offset by an increase in capital expenditures on intangible assets of $0.1 million, and an increase in cash investments of $0.2 million.

Cash flows used in investing activities for the year ended December 31, 2019 were $11.2 million, an increase of $2.8 million compared to cash flows used in investing activities of $8.4 million for the same period in 2018. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditures of property and equipment of $2.0 million, an increase in capital expenditure in intangible assets of $0.6 million, and an increase in cash investments of $0.2 million.

Of the $8.9 million of capital expenditures in property plant and equipment for the year ended December 31, 2019, $6.1 million was for leasehold improvements on new offices. The Company was reimbursed by the landlords for $5.0 million of these expenses as part of the tenant inducement clauses in the lease agreements. The receipt of these funds are included as part of the IFRS 16 net payment of lease liabilities in the financing activities.

CREDIT FACILITY

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 maximum amount available on the swing line facility to $20 million. The total revolver facility remains unchanged at $130 million (the “New Facility”). As at December 31, 2019, the interest on Canadian borrowings was 4.95% (December 31, 2018 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 2018 – 7.50%).

The definitions under the New Facility are substantially the same. The financial covenants outlined in the New Facility are also substantially the same except for the references to the 7% Convertible Debentures which have now been redeemed.

New Facility interest margins:

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

Previous facility interest margins:

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

As at December 31, 2019, IBI Group has borrowings of $51.6 million (December 31, 2018 - $77.2 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.2 million (December 31, 2018 - $1.6 million). Included within the $51.6 million borrowings, the Company has borrowed $10.0 million USD (December 31, 2018 - $10.0 million USD) under a swing line facility with a carrying value as at December 31, 2019 of $13.1 million CAD (December 31, 2018 - $13.6 million CAD).

As at December 31, 2019, IBI Group has letters of credit outstanding of $4.0 million (December 31, 2018 - $4.7 million), of which $3.5 million (December 31, 2018 - $4.4 million) are 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, 2019, $51.6 million was outstanding under Bankers' Acceptance (December 31, 2018 - $74.8 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, 2019.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and continued improvements in 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, the Company 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, 2019, IBI Group has surety bonds outstanding of $4.6 million (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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 carrying value of the convertible debentures as at December 31, 2019 is as follows:

(in thousands of Canadian dollars)	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	2,555	-	2,555
Change in fair value of other financial liabilities	-	(1,152)	(1,152)
BALANCE, DECEMBER 31, 2019	$ 39,768	$ 2,842	$ 42,610

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, 2019, the fair value of the derivative component was $2.8 million (December 31, 2018 - $4.0 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, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2019 would have decreased or increased by approximately $0.2 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, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by a $nil value for the year ended December 31, 2019. If the exchange rates had been 100 basis points higher or lower as at December 31, 2019, with all other variables held constant, net income would have increased or decreased by a $nil million value for the year ended December 31, 2019.

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, 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 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 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 year ended December 31, 2019, no changes in credit risk were identified.

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, 2019, 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 $3.0 million (December 31, 2018 – CAD $3.2 million). The Company has pledged U.S $2.3 million (December 31, 2018 – 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, 2019, the Company has letters of credit outstanding of $3.9 million (December 31, 2018 - $4.7 million), of which $0.4 million (December 31, 2018 - $0.3 million) are outstanding to foreign institutions with the remaining $3.5 million (December 31, 2018 – $4.7 million) being issued under a $30.0 million facility which matures on June 30, 2020 and supports letters of credit backed by Export Development Canada.

As at December 31, 2019, IBI Group has surety bonds outstanding of $4.5 million (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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, 2019:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars) (unaudited)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 45.2	$ 45.2	$ -	$ -	$ -
Credit facilities[1]	51.6	-	51.6	-	-
Interest on credit facilities[1,2]	7.3	2.7	4.6	-	-
Convertible debentures	46.0	-	46.0	-	-
Interest on convertible debentures[3]	5.0	2.5	2.5	-	-
Lease liabilities	95.1	16.7	31.2	20.1	27.1
IFRS 16 exempt obligations	7.7	3.4	4.1	0.1	0.1
TOTAL CONTRACTUAL OBLIGATIONS	$ 257.9	$ 70.5	$ 140.0	$ 20.2	$ 27.2

[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

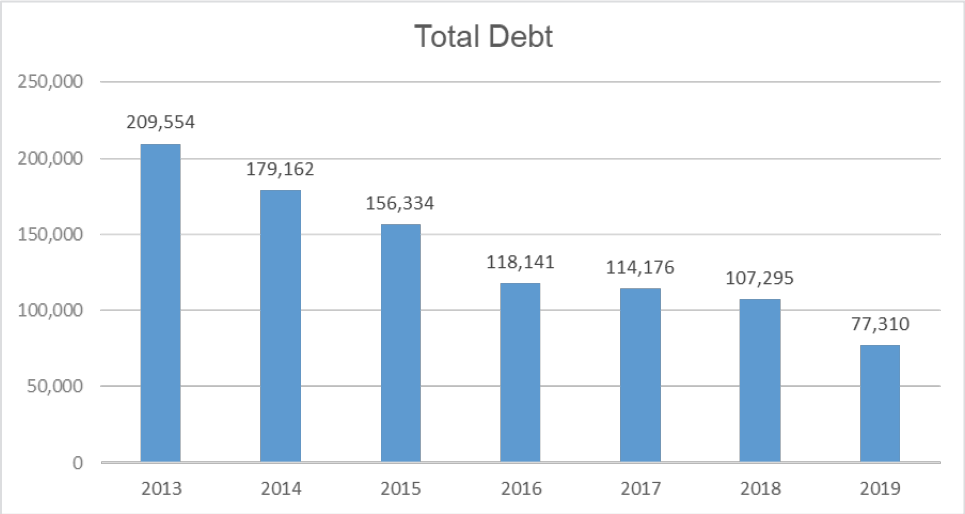
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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.

The Company continues to improve their processes and procedures to maximize liquidity and minimize operational debt. The following table presents the Company's debt as multiple of the trailing twelve months Adjusted EBITDA[1] in each of the last eight quarters which demonstrates the improvements made to maximize value and returns to stakeholders while minimizing debt held.

(in thousands of Canadian dollars)	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019	MARCH 31, 2019	DECEMBER 31, 2018	SEPTEMBER 30, 2018	JUNE 30, 2018	MARCH 31, 2018
Credit facilities	50,328	72,386	74,241	73,774	75,548	74,972	66,763	62,166
Convertible debentures	39,768	39,102	38,458	37,829	37,213	36,630	49,021	48,074
Other financial liabilities	2,842	3,547	5,718	4,866	3,994	4,911	9,572	8,944
Less: unrestricted cash	(15,628)	(11,093)	(11,169)	(9,729)	(9,460)	(10,098)	(6,405)	(9,813)
Net debt	77,310	103,942	107,248	106,740	107,295	106,415	118,951	109,371
Adjusted EBITDA (Trailing 12 months)	42,028	43,381	41,237	38,141	36,539	36,019	36,927	39,597
Net debt as a multiple of Adjusted EBITDA	1.8	2.4	2.6	2.8	2.9	3.0	3.2	2.8

The following graph represents the Company's debt at the end of each of the last seven fiscal periods:



	2013	2014	2015	2016	2017	2018	2019
Debt as a multiple of Adjusted EBITDA	10.1	7.6	4.5	3.0	2.8	2.9	1.8

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

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

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 its 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. Procedures and systems are being implemented that are expected to assist management in achieving 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 5, 2020, the Company's common share capital consisted of 31,240,044 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, 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. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at December 31, 2019.

SHARE ISSUANCES

During the three months and year ended December 31, 2019, the Company issued 5,000 and 19,167 common shares respectively, as a result of exercises of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the year ended December 31, 2019, the Company incurred a $4.1 million loss related to the translation of financial statements of foreign operations, of which 83.26% 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. The amount paid for such services during the three months ended December 31, 2019 was $3.7 million (three months ended December 31, 2018 - $4.0 million) and $14.7 million for the year ended December 31, 2019 (year ended December 31, 2018 - $15.7 million). As at December 31, 2019, there were 46 partners (December 31, 2018 – 49 partners). As at December 31, 2019, the amount payable to the Management Partnership was $nil (December 31, 2018 - $0.2 million).

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 JUDGEMENTS

The preparation of these consolidated financial statements in accordance with IFRS requires management to exercise judgement 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

CORRECTION OF NON-MATERIAL ERRORS IN PRIOR PERIOD

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 $4.7 million net of tax.

	Impact of adjustments		
(in thousands of Canadian dollars)	**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)

FUTURE ACCOUNTING POLICY CHANGES

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.

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.

[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.

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 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.

(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 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 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.

The following table represents the carrying value of the Company's total finance leases under IFRS 16 as well as the undiscounted cash flows for each of the next 5 years and beyond.

	YEAR ENDED DECEMBER 31, 2019				
(in thousands of Canadian dollars)	**CARRYING AMOUNT**	**2020**	**2021 AND 2022**	**2023 AND 2024**	**2025 AND BEYOND**
Lease receivables	$ 6,728	$ 666	$ 4,603	$ 2,108	$ 9

The difference between the carrying value of the finance leases and the total undiscounted cash flows represents the unearned finance income relating to the lease receivable payments which will ultimately be recognized as part of interest.

(c) APPLICATION BY LESSOR

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right of use asset, no the underlying asset. On transition, the Company reassessed the classification of their sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that the sub-leases are finance leases under IFRS 16, and accounted for them as new finance leases entered into at the date of initial application. A lease receivable is recognized at the inception of the sublease agreement based on the net present value of cash flows to be received from the sub-tenants with a corresponding reduction in the right of use asset recognized on the head-lease.

(d) TRANSITION IMPACT

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

	Impact of changes in accounting policy		
(in thousands of Canadian dollars)	**December 31, 2018**	**Increase / (Decrease)**	**January 1, 2019**
Right-of-use assets	$ -	$ 74,661	$ 74,661
Lease receivable	-	5,555	5,555
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets	$ 241,772	$ 79,119	$ 320,891
Accounts payable and accrued liabilities	$ 39,671	$ (2,611)	$ 37,060
Lease liabilities	-	83,583	83,583
Onerous lease provision	1,853	(1,853)	-
Total Liabilities	$ 204,505	$ 79,119	$ 283,624

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:

(in thousands of Canadian dollars)	**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	$ 86,330
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	$ 83,583

The application of IFRS 16 on leases that were previously classified as operating leases resulted in the Company recognizing right-of-use assets of $74.7 million, and lease liability of $83.6 million. 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
(in thousands of Canadian dollars)	**(Add / (Deduct))**
Right-of-use asset	$ 74,661
Lease receivable	5,555
Accrued liabilities	2,611
Onerous lease	1,853
Prepaid Assets	(1,097)
Lease liability	$ 83,583

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.

The following table represents the carrying value of the right-of-use assets as at January 1, 2019 and December 31, 2019:

	Right-of-Use Assets			
(in thousands of Canadian dollars)	**Real Estate Lease**	**Equipment**	**Vehicles**	**Total**
Balance as at January 1, 2019	$ 72,532	$ 1,931	$ 198	$ 74,661
Additions	4,289	949	-	5,238
Allocation to lease receivable due to new sublease agreements	(2,574)	-	-	(2,574)
Depreciation	(11,805)	(639)	(62)	(12,506)
Impairment	(268)	-	-	(268)
Foreign exchange loss	(1,061)	(86)	(14)	(1,161)
Balance as at December 31, 2019	$ 61,113	$ 2,155	$ 122	$ 63,390

The following table represents the carrying value of the lease liabilities as at January 1, 2019 and December 31, 2019:

	Lease Liabilities
Balance as at January 1, 2019	$ 83,583
Additions	5,238
Change in net present value	(246)
Lease Payments	(7,154)
Foreign exchange gain	(1,374)
Balance as at December 31, 2019	$ 80,047

(e) PERIOD IMPACT

During the period for the three months and year ended December 31, 2019, the Company recognized on the statement of profit and loss a depreciation expenses on its right-of-use assets of $2.9 million and $12.5 million, respectively, and net interest expense on its lease liabilities and receivables of $0.9 million and $3.9 million, respectively. The Company recognized in other operating expenses $2.9 million in relation to leases exempted from IFRS 16 with $2.7 related to leasing of low value assets and $0.2 million related to short-term leases.

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, 2019, 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, 2019, and ended December 31, 2019 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 Adjusted 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. NET INCOME AND EARNINGS PER SHARE FROM OPERATING ACTIVITIES

The Company believes that net income and earnings per share from operations is an important measure for investors to understand the Company's ability to generate earnings and return value to their shareholders through their operating activities. The Company defines net income from operating activities as net income excluding accounting gains and losses derived from market conditions and other factors outside of the Company's operating activities. The following are the adjusting items:

- Gains and losses from foreign exchange
- Change in fair value of other financial liabilities
- Depreciation of right of use assets
- Payments made on IFRS 16 lease liabilities
- Payments received on IFRS 16 lease receivables
- Impairment of right of use assets

For the purposes of calculating net income from operating activities the adjustments above are adjusted net of tax:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31, 2019**			**YEAR ENDED DECEMBER 31, 2019**		
(unaudited)	**Pre-Tax**	**Impact on Tax**	**Net of Tax**	**Pre-Tax**	**Impact on Tax**	**Net of Tax**
Change in fair value of other financial liabilities	$ (705)	$ -	$ (705)	$ (1,152)	$ -	$ (1,152)
Foreign exchange loss	(75)	(53)	(128)	1,278	(416)	862
Depreciation of right-of-use assets	2,868	(435)	2,433	12,506	(1,902)	10,604
Payment of lease liabilities	(1,668)	131	(1,537)	(5,871)	455	(5,416)
Impairment on right of use assets	-	-	-	268	-	268

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2018			YEAR ENDED DECEMBER 31, 2018		
(unaudited)	Pre-Tax	Impact on Tax	Net of Tax	Pre-Tax	Impact on Tax	Net of Tax
Change in fair value of other financial liabilities	$ (917)	$ -	(917)	$ (9,017)	$ -	$ (9,017)
Foreign exchange loss	615	(142)	473	3,190	(734)	2,456
Depreciation of right-of-use assets	-	-	-	-	-	-
Payment of lease liabilities	-	-	-	-	-	-
Impairment on right of use assets	-	-	-	-	-	-

3. 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 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.

CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and December 31, 2018
- the consolidated statement of income and 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, 2019 and December 31, 2018, 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.

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 4, 2020

IBI GROUP INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Canadian dollars)	NOTES	DECEMBER 31, 2019	DECEMBER 31, 2018 *(as adjusted note 2(f))*
ASSETS			
Current Assets			
Cash	*6(c)*	**$ 15,628**	$ 9,460
Accounts receivable	*6(c),12(b)*	**109,581**	114,796
Contract assets	*5*	**63,385**	61,893
Prepaid expenses and other current assets	*4*	**14,436**	15,276
Lease receivable	*4,6(c)*	**476**	–
Income taxes recoverable	*9*	**1,421**	505
Total Current Assets		**$ 204,927**	$ 201,930
Restricted cash	*6(c),12*	**3,047**	3,190
Other assets		**–**	300
Property and equipment	*7*	**21,620**	18,084
Intangible assets	*8*	**9,620**	8,089
Lease receivable	*4,6(c)*	**6,252**	–
Right-of-use assets	*4*	**63,390**	–
Investment	*18*	**199**	–
Deferred tax assets	*9*	**9,248**	10,179
TOTAL ASSETS		**$ 318,303**	$ 241,772
LIABILITIES AND DEFICIT			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	*4,6(c),12*	**45,180**	39,671
Contract liabilities	*4,6(c),12*	**41,387**	40,394
Income taxes payable	*9*	**780**	1,999
Lease liability	*4,6(c)*	**13,289**	–
Deferred consideration	*17*	**490**	–
Onerous lease provisions	*4*	**–**	1,541
Total Current Liabilities		**$ 101,126**	$ 83,605
Onerous lease provisions	*4*	**–**	312
Credit facilities	*6(a)*	**50,328**	75,548
Convertible debentures	*6(b)*	**39,768**	37,213
Lease liability	*4,6(c)*	**66,758**	–
Other financial liabilities	*6(b)*	**2,842**	3,994
Deferred consideration	*17*	**1,241**	–
Deferred tax liabilities	*9*	**4,702**	3,833
TOTAL LIABILITIES		**$ 266,765**	$ 204,505
EQUITY			
Shareholders' Equity			
Share capital	*11*	**279,993**	279,926
Capital reserve	*11*	**4,205**	2,731
Contributed surplus	*11*	**7,958**	7,958
Deficit		**(248,907)**	(262,935)
Accumulated other comprehensive loss		**(5,427)**	(1,998)
Total Shareholders' Equity		**$ 37,822**	$ 25,682
Non-controlling interest	*11*	**13,716**	11,585
TOTAL EQUITY		**$ 51,538**	$ 37,267
TOTAL LIABILITIES AND EQUITY		**$ 318,303**	$ 241,772

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(thousands of Canadian dollars, except per share amounts)	NOTES	2019	2018
Revenue			
Gross Revenue		**$ 460,458**	$ 454,614
Less: Subconsultants and direct costs		**83,605**	86,314
NET REVENUE		**$ 376,853**	$ 368,300
Expenses			
Salaries, fees and employee benefits	*10,20*	**264,168**	263,095
Base rent	*4*	**-**	12,560
Variable lease expense	*4*	**8,555**	9,060
Other operating expenses	*4*	**45,390**	41,739
Foreign exchange loss	*12(a)*	**1,278**	3,190
Amortization of intangible assets	*8*	**2,051**	1,474
Depreciation of property and equipment	*7*	**5,141**	4,536
Depreciation of right-of-use assets	*4*	**12,506**	-
Change in fair value of other financial liabilities	*6(b)*	**(1,152)**	(9,017)
Impairment of financial assets	*12(b)*	**2,598**	1,397
Impairment of right-of-use assets	*4*	**268**	-
		340,803	328,034
OPERATING INCOME		**$ 36,050**	$ 40,266
Interest expense, net	*4,12(a),15*	**12,426**	10,939
Other finance costs	*15*	**872**	1,133
FINANCE COSTS		**$ 13,298**	$ 12,072
NET INCOME BEFORE TAX		**$ 22,752**	$ 28,194
Current tax expense	*9*	**4,214**	1,581
Deferred tax expense	*9*	**1,689**	6,122
INCOME TAXES		**$ 5,903**	$ 7,703
NET INCOME		**$ 16,849**	$ 20,491
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Gain (loss) on translating financial statements of foreign operations		**(4,119)**	6,287
OTHER COMPREHENSIVE INCOME (LOSS)		**(4,119)**	6,287
TOTAL COMPREHENSIVE INCOME		**$ 12,730**	$ 26,778
NET INCOME ATTRIBUTABLE TO:			
Common shareholders		**14,028**	17,059
Non-controlling interests	*11*	**2,821**	3,432
NET INCOME		**$ 16,849**	$ 20,491
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO*:*			
Common shareholders		**10,599**	22,293
Non-controlling interests	*11*	**2,131**	4,485
TOTAL COMPREHENSIVE INCOME		**$ 12,730**	$ 26,778
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Basic earnings per share	*11*	**$ 0.45**	$ 0.55
Diluted earnings per share	*11*	**$ 0.45**	$ 0.54

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Canadian dollars)	NOTES	2019	2018
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income		**$ 16,849**	$ 20,491
Items not affecting cash:			
Onerous lease provision	*4*	**-**	(3,426)
Depreciation of property and equipment	*7*	**5,141**	4,536
Amortization of intangible assets	*8*	**2,051**	1,474
Depreciation of right of use assets	*4*	**12,506**	-
Amortization of deferred financing costs	*15*	**457**	512
Impairment of financial assets	*12(b)*	**2,598**	1,397
Impairment of right of use assets	*4*	**268**	-
Foreign exchange loss	*12(b)*	**1,278**	3,190
Interest expense, net	*4,15*	**12,426**	10,939
Deferred tax expense	*9*	**1,689**	6,122
Share based compensation	*20*	**1,474**	1,371
Deferred share units issued	*19*	**461**	547
Change in fair value of deferred share units	*19*	**567**	(1,194)
Change in net present value of lease liabilities		**(246)**	-
Loss on disposal of property and equipment	*7*	**46**	9
Change in fair value of other financial liabilities	*6(b)*	**(1,152)**	(9,017)
Interest paid		**(9,819)**	(6,128)
Income taxes received (paid)		**(4,693)**	924
Change in non-cash operating working capital	*13*	**8,257**	(19,134)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		**$ 50,158**	$ 12,613
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Draws (payments) on principal of credit facilities	*6(a)*	**(25,025)**	10,425
Redemption of convertible debentures		**-**	(14,755)
Deferred financing costs	*6(a)*	**(84)**	(314)
Payment of lease liabilities	*4*	**(5,871)**	(36)
Proceeds from shares issued	*11*	**67**	4
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**$ (30,913)**	$ (4,676)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment	*7*	**(8,952)**	(6,946)
Purchase of intangible assets	*8*	**(2,074)**	(1,445)
Increase in investment	*18*	**(199)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**$ (11,225)**	$ (8,391)
Effects of currency translation on cash and cash equivalents	*12(b)*	**(1,852)**	81
NET INCREASE (DECREASE) IN CASH		**$ 6,168**	$ (373)
Cash, beginning of period		**9,460**	9,833
CASH, END OF PERIOD		**$ 15,628**	$ 9,460

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

(thousands of Canadian dollars)	NOTES	2019	2018
			(as adjusted note 2(f))
SHARE CAPITAL			
Share capital, beginning of period		**$ 279,926**	$ 279,679
Shares issued	*11*	**67**	247
SHARE CAPITAL, END OF PERIOD		**$ 279,993**	$ 279,926
CAPITAL RESERVE			
Capital reserve, beginning of period		**$ 2,731**	$ 1,362
Stock options granted	*20*	**897**	1,224
Stock options exercised	*20*	**(22)**	(2)
Performance share units granted	*20*	**599**	147
CAPITAL RESERVE, END OF PERIOD		**$ 4,205**	$ 2,731
CONTRIBUTED SURPLUS			
Contributed surplus, beginning of period		**$ 7,958**	$ 7,397
Conversion of 7% debentures		**-**	561
CONTRIBUTED SURPLUS, END OF PERIOD		**$ 7,958**	$ 7,958
DEFICIT			
Deficit, beginning of period, as reported		**$ (258,204)**	$ (275,263)
Adjustments from prior period	*2(f)*	**(4,731)**	(4,731)
Deficit, beginning of period, as adjusted	*2(f)*	**$ (262,935)**	$ (279,994)
Net income attributable to common shareholders		**14,028**	17,059
DEFICIT, END OF PERIOD		**$ (248,907)**	$ (262,935)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT			
Convertible debentures, beginning of period	*6(b)*	**$ -**	$ 561
Conversion of 7% debentures		**-**	(561)
CONVERTIBLE DEBENTURES, END OF PERIOD		**$ -**	$ -
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Accumulated other comprehensive loss, beginning of period		**$ (1,998)**	$ (7,232)
Other comprehensive income (loss) attributable to common shareholders		**(3,429)**	5,234
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		**$ (5,427)**	$ (1,998)
TOTAL SHAREHOLDERS' EQUITY		**$ 37,822**	$ 25,682
NON-CONTROLLING INTEREST			
Non-controlling interest, beginning of period		**$ 11,585**	$ 7,100
Total comprehensive income attributable to non-controlling interests	*11*	**2,131**	4,485
NON-CONTROLLING INTEREST, END OF PERIOD		**$ 13,716**	$ 11,585
TOTAL EQUITY, END OF PERIOD		**$ 51,538**	$ 37,267

See accompanying notes to the consolidated financial statements.

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

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

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership ("IBI Group"), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at December 31, 2019, the Company's common share capital consisted of 31,240,044 (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 December 31, 2019 would be 37,522,266 (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 December 31, 2019 (December 31, 2018 – 35.6%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 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 technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services. 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.

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, 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 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 approved and authorized for issuance by the Company's Board of Directors on March 5, 2020.

(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").

(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 judgement 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 judgement 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 income and comprehensive income. Actual amounts may differ from these estimates.

Within the context of these consolidated financial statements, a judgement 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 judgements it uses.

Information about judgements 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 16, which are described in Note 4:

REVENUE RECOGNITION

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.

IMPAIRMENT OF ACCOUNTS RECEIVABLE

In each stage of the impairment model, impairment is determined based on the probability that the accounts receivable will not be collectable. The application of the expected credit loss model requires management to apply the following significant judgements, assumptions, and estimations:

- Movement of impairment measurement between the three stages of the expected credit loss model, based on the assessment of increase credit risks on receivables. The assessment changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss.

- Thresholds for significant increase in credit risks based on the changes in probability of loss over the expected life of the instrument relative to initial recognition; and

- Forecasts of future economic conditions.

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 judgement 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.

(f) 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 EBITDA[1] 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)

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) REVENUE RECOGNITION

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.

[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.

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.

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.

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 the Company has an obligation to provided services.

COMMITTED REVENUE

At the end of December 31, 2019, the Company has $490,926 of work that is committed to performance obligations for the next five years.

	AS AT DECEMBER 31, 2019				
	2020	**2021**	**2022**	**2023**	**2024**
Total committed revenue	$ 294,931	$ 103,947	$ 51,826	$ 27,501	$ 12,721

(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.

(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
Internally generated intangibles	Straight line	5 years

(f) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company evaluates the recoverability of right of use assets, 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. A Black-Scholes 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 performance share units 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

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 summarizes the classification and sequent measurement of the Company's financial assets and liabilities:

FINANCIAL INSTRUMENT	CLASSIFICATION
FINANCIAL ASSETS	
Cash	FVTPL
Restricted cash	FVTPL
Accounts receivable	Amortized cost
FINANCIAL LIABILITIES	
Accounts payable and accrued liabilities	Amortized cost
Deferred share plan liability[(1)]	FVTPL
Due to related parties	Amortized cost
Finance lease obligation	Amortized cost
Credit facilities	Amortized cost
Convertible debentures – liability component	Amortized cost
Other financial liability	FVTPL

(j) LEASES

Changes in accounting policy with regards to leases as a result of the New IFRS 16 standard taking effect on January 1, 2019, are described in Note 4.

(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.

NOTE 4: CHANGES IN ACCOUNTING POLICIES

(a) ACCOUNTING POLICY CHANGES ADOPTED IN 2019

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 corresponding right-of-use asset.

(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 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 with the non-lease components expensed through the variable lease expense and other operating lines of the statement of profit and loss. 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) APPLICATION BY LESSOR

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right of use asset, no the underlying asset. On transition, the Company reassessed the classification of their sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that the sub-leases are finance leases under IFRS 16, and accounted for them as new finance leases entered into at the date of initial application. A lease receivable is recognized at the inception of the sublease agreement based on the net present value of cash flows to be received from the sub-tenants with a corresponding reduction in the right of use asset recognized on the head-lease.

The following table represents the carrying value of the Company's total finance leases under IFRS 16 as well as the undiscounted cash flows for each of the next 5 years and beyond.

	YEAR ENDED DECEMBER 31, 2019				
	CARRYING AMOUNT	**2020**	**2021 AND 2022**	**2023 AND 2024**	**2025 AND BEYOND**
Lease receivables	$ 6,728	$ 666	$ 4,603	$ 2,108	$ 9

The difference between the carrying value of the finance leases and the total undiscounted cash flows represents the unearned finance income relating to the lease receivable payments which will ultimately be recognized as part of interest.

(d) 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	-	5,555	5,555
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets *(as adjusted Note 2(f))*	$ 241,772	$ 79,119	$ 320,891
Accounts payable and accrued liabilities	$ 39,671	$ (2,611)	$ 37,060
Lease liabilities	-	83,583	83,583
Onerous lease provision	1,853	(1,853)	-
Total Liabilities *(as adjusted Note 2(f))*	$ 204,505	$ 79,119	$ 283,624

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:

		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	$	86,330
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	$	83,583

The application of IFRS 16 on leases that were previously classified as operating leases resulted in the Company recognizing right-of-use assets of $74,661, and lease liability of $83,583. 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		5,555
Accrued liabilities		2,611
Onerous lease		1,853
Prepaid Assets		(1,097)
Lease liability	$	83,583

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.

The following table represents the carrying value of the right-of-use assets as at January 1, 2019 and December 31, 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	4,289	949	-	5,238
Allocation to lease receivable due to new sublease agreements	(2,574)	-	-	(2,574)
Depreciation	(11,805)	(639)	(62)	(12,506)
Impairment	(268)	-	-	(268)
Foreign exchange gain (loss)	(1,061)	(86)	(14)	(1,161)
Balance as at December 31, 2019	$ 61,113	$ 2,155	$ 122	$ 63,390

The following table represents the carrying value of the lease liabilities as at January 1, 2019 and December 31, 2019:

Lease Liabilities		
Balance as at January 1, 2019	$	83,583
Additions		5,238
Change in net present value		(246)
Lease Payments		(7,154)
Foreign exchange gain		(1,374)
Balance as at December 31, 2019	$	80,047

(e) PERIOD IMPACT

During the period for year ended December 31, 2019, the Company recognized on the statement of profit and loss depreciation expenses on its right-of-use assets of $12,506 and net interest expense on its lease liabilities and receivables of $3,908. The Company recognized in other operating expenses $2,896 in relation to leases exempted from IFRS 16 with $2,724 related to leasing of low value assets and $172 related to short-term leases.

(b) 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.

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 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.

(b) GEOGRAPHIC SEGMENTS

The following table demonstrates certain information contained in the consolidated statement of financial position segmented geographically as at December 31, 2019, with comparatives as at December 31, 2018:

	AS AT DECEMBER 31, 2019				
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	TOTAL
Property and equipment	$ 14,833	$ 5,112	$ 888	$ 787	$ 21,620
Intangible assets	8,356	1,035	229	-	9,620
Contract assets	28,901	14,325	3,808	16,351	63,385
Contract liabilities	26,913	8,263	3,559	2,652	41,387
Total assets	163,668	85,129	19,094	50,412	318,303
Right-of-use assets	40,024	19,039	2,582	1,745	63,390
Lease receivable	4,056	2,672	-	-	6,728
Total assets excluding the impact of IFRS 16 transition	119,588	63,418	16,512	48,667	248,185

	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)*	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)	115,368	56,955	18,435	51,014	241,772

The following table demonstrates certain information contained in the consolidated statement of income and comprehensive income segmented geographically for the year ended December 31, 2019 and 2018. The unallocated amounts for the year ended December 31, 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.

	YEAR ENDED DECEMBER 31, 2019					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 250,348	$ 144,165	$ 31,909	$ 34,036	$ -	$ 460,458
Less: subconsultants and direct expenses	29,477	37,090	4,778	12,260	-	83,605
Net revenue	$ 220,871	$ 107,075	$ 27,131	$ 21,776	$ -	$ 376,853
Adjusted EBITDA[2]	$ 32,458	$ 6,580	$ 341	$ 2,647	$ -	$ 42,026
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	2,494	1,259	164	114	8,395	12,426
Amortization and depreciation	9,749	7,189	1,790	970	-	19,698
Foreign exchange (gain) loss	194	(504)	(127)	1,715	-	1,278
Change in fair value of other financial liabilities	-	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	-	567	567
Stock based compensation	790	55	9	43	-	897
Performance share units	599	-	-	-	-	599
Deferred financing charges	-	-	-	-	457	457
IFRS 16 lease accounting adjustment	(7,308)	(6,309)	(1,184)	(695)	-	(15,496)
Net income (loss) before tax	$ 25,940	$ 4,890	$ (311)	$ 500	$ (8,267)	$ 22,752

	YEAR ENDED DECEMBER 31, 2018					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 244,826	$ 136,785	$ 33,355	$ 39,648	$ -	$ 454,614
Less: subconsultants 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
Change 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 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.

(c) BUSINESS UNIT SEGMENTS

The following table demonstrates certain information contained in the consolidated statement of income and comprehensive income segmented by business unit for the year ended December 31, 2019 and 2018.

	YEAR ENDED DECEMBER 31, 2019				
(in thousands of Canadian dollars)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 87,908	$ 242,441	$ 129,470	$ 639	$ 460,458
Less: subconsultants and direct expenses	19,095	45,738	18,605	167	83,605
Net revenue	$ 68,813	$ 196,703	$ 110,865	$ 472	$ 376,853
Adjusted EBITDA[1]	$ 10,060	$ 31,140	$ 11,532	$ (10,706)	$ 42,026
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	651	1,911	1,195	8,669	12,426
Amortization and depreciation	3,663	9,546	5,637	852	19,698
Foreign exchange (gain) loss	995	(8)	301	(10)	1,278
Change in fair value of other financial liabilities	-	-	-	(1,152)	(1,152)
Change in fair value of deferred share units	-	-	-	567	567
Stock based compensation	120	103	187	487	897
Performance share units	-	-	-	599	599
Deferred financing charges	-	-	-	457	457
IFRS 16 lease accounting adjustment	(2,644)	(7,573)	(4,232)	(1,047)	(15,496)
Net income before tax	$ 7,275	$ 27,161	$ 8,444	$ (20,128)	$ 22,752

	YEAR ENDED DECEMBER 31, 2018				
(in thousands of Canadian dollars)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 83,649	$ 238,601	$ 131,579	$ 785	$ 454,614
Less: subconsultants and direct expenses	17,824	47,963	20,403	124	86,314
Net revenue	$ 65,825	$ 190,638	$ 111,176	$ 661	$ 368,300
Adjusted EBITDA[1]	$ 10,956	$ 24,972	$ 11,611	$ (11,001)	$ 36,538
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	90	21	21	10,807	10,939
Amortization and depreciation	1,003	3,018	1,751	238	6,010
Foreign exchange (gain) loss	1,678	729	757	26	3,190
Change 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	180	167	338	537	1,222
Performance share units	-	-	-	147	147
Deferred financing charges	-	-	-	512	512
Onerous lease	-	-	-	(3,426)	(3,426)
Net income before tax	$ 8,005	$ 21,037	$ 8,744	$ (9,592)	$ 28,194

[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.

NOTE 6: 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 December 31, 2019, the interest rate on Canadian dollar borrowings was 4.95% (December 31, 2018 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 2018 – 7.50%).

As at December 31, 2019, IBI Group has borrowings of $51,566 (December 31, 2018 - $77,159) under the credit facilities, which has been recorded on the balance sheet net of deferred financing costs of $1,238 (December 31, 2018 - $1,611). Included within the $51,566 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 December 31, 2019 of $13,066 CAD (December 31, 2018 - $13,634).

As at December 31, 2019, IBI Group has letters of credit outstanding of $3,953 (December 31, 2018 - $4,681), of which $3,537 (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 December 31, 2019, $51,566 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 December 31, 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.

As at December 31, 2019, IBI Group has surety bonds outstanding of $4,554 (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

	AS AT	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Balance at January 1	$ 75,548	$ 63,842
Draws on credit facilities	-	15,525
Payments on principal of credit facilities	(25,025)	(5,100)
Deferred financing capitalization	(84)	(314)
Amortization of deferred financing costs	457	512
Impact of foreign exchange	(568)	1,083
Ending Balance	$ 50,328	$ 75,548

(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	2,555	-	2,555
Change in fair value of other financial liabilities	-	(1,152)	(1,152)
BALANCE, DECEMBER 31, 2019	$ 39,768	$ 2,842	$ 42,610

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 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, 2019, the fair value of the derivative component was $2,842 (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 December 31, 2019, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	$ 39,768	$ 46,598
BALANCE, DECEMBER 31, 2019	$ 39,768	$ 46,598

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, accounts payable and accrued liabilities 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, 2019 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	AMORTIZED COST	TOTAL
FINANCIAL ASSETS			
Cash	$ 15,628	$ -	$ 15,628
Restricted cash	3,047	-	3,047
Accounts receivable	-	109,581	109,581
Investment	199	-	199
TOTAL	$ 18,874	$ 109,581	$ 128,455
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ 42,471	$ 42,471
Deferred share plan liability	2,709	-	2,709
Credit facilities	-	50,328	50,328
Convertible debentures	-	39,768	39,768
Other financial liabilities	2,842	-	2,842
Deferred consideration	1,731	-	1,731
TOTAL	$ 7,282	$ 132,567	$ 139,849

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	$ -	$ 37,990	$ 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 December 31, 2019 and December 31, 2018:

	AS AT DECEMBER 31, 2019		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**
Cash	$ 15,628	$ -	$ -
Restricted cash	-	3,047	-
Investment	-	-	199
Deferred share plan liability	-	(2,709)	-
Other Financial Liabilities	-	(2,842)	-
Deferred consideration	-	-	1,731
	$ 15,628	$ (2,504)	$ 1,930

	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 7: PROPERTY AND EQUIPMENT

The following table presents the Company's property and equipment as at December 31, 2019 and 2018:

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
COST					
January 1, 2018	$ 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 loss	397	425	11	187	1,020
December 31, 2018	$ 13,084	$ 17,259	$ 437	$ 18,628	$ 49,408
Additions	1,417	1,447	-	6,088	8,952
Disposals	(46)	-	-	-	(46)
Write off of fully amortized assets	-	-	-	-	-
Foreign currency translation gain / (loss)	(247)	(214)	(8)	(124)	(593)
DECEMBER 31, 2019	$ 14,208	$ 18,492	$ 429	$ 24,592	$ 57,721

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
ACCUMULATED DEPRECIATION					
January 1, 2018	$ 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 (gain)	236	368	8	77	689
December 31, 2018	$ 8,527	$ 14,777	$ 332	$ 7,688	$ 31,324
Depreciation	1,022	1,843	63	2,213	5,141
Disposals	-	-	-	-	-
Write off of fully amortized assets	-	-	-	-	-
Foreign currency translation loss / (gain)	(147)	(172)	(6)	(39)	(364)
DECEMBER 31, 2019	$ 9,402	$ 16,448	$ 389	$ 9,862	$ 36,101
NET CARRYING AMOUNT					
DECEMBER 31, 2018	$ 4,557	$ 2,482	$ 105	$ 10,940	$ 18,084
DECEMBER 31, 2019	$ 4,806	$ 2,044	$ 40	$ 14,730	$ 21,620

Loss on disposal of property and equipment of $46 as at December 31, 2019 (December 31, 2018 - $9) is reflected in other operating expenses on the Statement of Comprehensive Income.

Additions to leasehold improvements as at December 31, 2019 of $6,088 related to renovations on new office spaces. The Company was reimbursed by the landlords for $5,047 of these expenses as part of the tenant inducement clauses in the lease agreements. The receipt of these funds are included as part of the IFRS 16 net payment of lease liabilities in the financing section of the cash flow statement.

NOTE 8: INTANGIBLE ASSETS

The following table presents the Company's intangible assets as at December 31, 2019 and 2018:

	ERP SYSTEMS	CLIENT RELATIONSHIPS	INTERNALLY GENERATED PRODUCTS	TOTAL
COST				
Balance at January 1, 2018	$ 6,162	$ 4,786	$ 804	$ 11,752
Additions	624	450	701	1,775
Foreign exchange translation gain	-	356	-	356
December 31, 2018	$ 6,786	$ 5,592	$ 1,505	$ 13,883
Additions	382	2,247	1,017	3,646
Foreign exchange translation loss	-	(185)	-	(185)
DECEMBER 31, 2019	$ 7,168	$ 7,654	$ 2,522	$ 17,344

	ERP SYSTEMS	CLIENT RELATIONSHIPS	INTERNALLY GENERATED PRODUCTS	TOTAL
ACCUMULATED AMORTIZATION				
Balance at January 1, 2018	$ 877	$ 2,423	$ 813	$ 4,113
Amortization	651	683	140	1,474
Foreign exchange translation gain	-	207	-	207
December 31, 2018	$ 1,528	$ 3,313	$ 953	$ 5,794
Amortization	852	892	307	2,051
Foreign exchange translation gain	-	(121)	-	(121)
DECEMBER 31, 2019	$ 2,380	$ 4,084	$ 1,260	$ 7,724
NET CARRYING AMOUNT				
DECEMBER 31, 2018	$ 5,258	$ 2,279	$ 552	$ 8,089
DECEMBER 31, 2019	$ 4,788	$ 3,570	$ 1,262	$ 9,620

Additions to client relationships as at December 31, 2019 related to the acquisition of Aspyr Engineering Ltd ("Aspyr"). Refer to Note 17 – Acquisitions for further detail.

NOTE 9: INCOME TAXES

The major components of income tax expense includes the following:

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
CURRENT TAX EXPENSE		
Current period	$ 4,251	$ 1,405
Provision to file / withholding taxes	(37)	176
	4,214	1,581
DEFERRED TAX EXPENSE / (RECOVERY)		
Origination and reversal of temporary differences	3,299	5,190
Change in tax rates	(80)	(69)
Adjustment for prior periods	(133)	93
Change in unrecognized deductible temporary differences	(1,397)	908
	1,689	6,122
TOTAL TAX EXPENSE / (RECOVERY)	$ 5,903	$ 7,703

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, 2018 – 26.5%). The differences are as follows:

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Net income	$ 16,849	$ 20,491
Total tax expense / (recovery)	5,903	7,703
Net income before tax	$ 22,752	$ 28,194
Income tax using the Company's domestic tax rate	$ 6,029	$ 7,471
Income tax effect of:		
Non-deductible expenses	1,847	1,265
Change in deferred tax rates	(80)	(69)
(Gain) / Loss on financial derivative	(256)	(2,027)
Operating in jurisdictions with different tax rates	(88)	(32)
Change in unrecognized temporary differences	(1,398)	908
Prior period adjustments to current tax	99	87
Prior period adjustments to deferred tax	(133)	93
Withholding taxes	(136)	13
Other	19	(6)
INCOME TAX EXPENSE / (RECOVERY)	$ 5,903	$ 7,703

The applicable tax rate is the aggregate of the Canadian Federal income tax rate of 15% (2018 – 15%) and the Provincial income tax rate of 11.5% (2018 – 11.5%).

UNRECOGNIZED DEFERRED TAX LIABILITIES

As at December 31, 2019 taxable temporary differences related to the investment in subsidiaries were not recognized because the Company controls the reversal of the temporary differences and it is probable that the temporary differences will not reverse 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,	
	2019	**2018**
Deductible temporary differences	$ 7,284	$ 7,358
Tax losses – Federal	1,706	8,948
Tax losses – State	39,419	41,136
	$ 48,409	$ 57,442

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

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Deductible temporary differences	$ 1,930	$ 2,134
Tax losses – Federal	347	1,883
Tax losses – State	2,244	2,351
	$ 4,521	$ 6,368

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, 2019, the Company's affiliated entities have $22,335 of Federal and $39,419 of U.S State operating loss carry forwards (December 31, 2018 - $32,356 and $41,136 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, 2019 and December 2018 are presented below.

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	YEAR ENDED DECEMBER 31, 2019		
	ASSETS	**LIABILITIES**	**TOTAL**
Property and equipment	$ 757	$ (1,737)	$ (980)
Non-capital loss	4,262	-	$ 4,262
Reserves	1,061	(2,484)	$ (1,423)
Financing costs	-	(321)	$ (321)
Intangible assets	2,709	(110)	$ 2,599
IFRS 16 lease receivable and lease liabilities	217	-	$ 217
Other	242	(50)	$ 192
	$ 9,248	$ (4,702)	$ 4,546

	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

NOTE 10: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the year ended December 31, 2019 was $14,680 (year ended December 31, 2018 - $15,676). As at December 31, 2019, there were 46 partners (December 31, 2018 – 49 partners). As at December 31, 2019, the amount payable to the Management Partnership was $nil (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.

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,	
	2019	2018
Directors fees, salaries and other short-term employee benefits	$ 4,449	$ 3,999
Share–based compensation	1,589	1,372
Total compensation	$ 6,038	$ 5,371

NOTE 11: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2019, the Company's common share capital consisted of 31,240,044 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 December 31, 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 these consolidated financial statements as at December 31, 2019.

SHARE ISSUANCES

During the year ended December 31, 2019, the Company issued 19,167 common shares as a result of exercises of stock options granted in January 2016.

EARNINGS PER SHARE

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

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

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Net income	$ 16,849	$ 20,491
Net income attributable to common shareholders	$ 14,028	$ 17,059
Weighted average common shares outstanding	31,229	31,218
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	258	503
Diluted weighted average common shares outstanding	37,769	38,003
Basic earnings per common share	$ 0.45	$ 0.55
Diluted earnings per common share	$ 0.45	$ 0.54

(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 (deficit) for the three months ended December 31, 2019.

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

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Net income	$ 16,849	$ 20,491
Non-controlling interest share of ownership	16.74%	16.75%
Net income attributable to non-controlling interest	$ 2,821	$ 3,432

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Total comprehensive income	$ 12,730	$ 26,778
Non-controlling interest share of ownership	16.74%	16.75%
Total comprehensive income attributable to non-controlling interest	$ 2,131	$ 4,485

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, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2019 would have decreased or increased by approximately $190.

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, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by $55 for the year ended December 31, 2019. If the exchange rates had been 100 basis points higher or lower as at December 31, 2019, with all other variables held constant, net income would have increased or decreased by $6 for the year ended December 31, 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 December 31, 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 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. 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	
	DECEMBER 31, 2019	**DECEMBER 31, 2018**
Current	$ 43,838	$ 40,327
30 to 90 days	36,642	40,451
Over 90 days	33,166	44,166
Gross accounts receivable	113,646	124,944
Allowance for impairment losses	(4,065)	(10,148)
Total	$ 109,581	$ 114,796

Changes in the allowance for impairment losses were as follows:

	AS AT	
	DECEMBER 31, 2019	**DECEMBER 31, 2018**
Balance at beginning of year	$ (10,148)	$ (8,970)
Provision for doubtful accounts	(2,375)	(1,247)
Amounts written-off	8,236	559
Effect of foreign currency exchange rate changes	222	(490)
Total	$ (4,065)	$ (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 December 31, 2019 was 2.04% on contract assets for impairment loss of $1,323 (December 31, 2018 – loss rate of 1.74% and impairment loss of $1,098).

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 year ended December 31, 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 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, 2019, a foreign subsidiary of the Company issued letters of credit in the amount of U.S $2,300, which is equal to CAD $3,047 (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 December 31, 2019, the Company has letters of credit outstanding of $3,953 (December 31, 2018 - $4,681), of which $416 (December 31, 2018 - $253) are outstanding with foreign institutions with the remaining $3,537 (December 31, 2018 - $4,681) being issued under a $30,000 facility which matures on June 30, 2020 and supports letters of credit back stopped by Export Development Canada.

As at December 31, 2019, IBI Group has surety bonds outstanding of $4,554 (December 31, 2018 - $nil), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

The company has the following contractual obligations as at December 31, 2019:

	YEAR ENDED DECEMBER 31, 2019				
	CARRYING AMOUNT	**2020**	**2021 AND 2022**	**2023 AND 2024**	**2025 AND BEYOND**
Accounts payable and accrued liabilities	$ 45,180	$ 45,180	$ -	$ -	$ -
Credit facilities	50,328	-	51,566	-	-
Interest on credit facilities	-	2,657	4,623	-	-
Convertible debentures	39,768	-	46,000	-	-
Interest on convertible debentures	-	2,530	2,530	-	-
Lease liabilities	80,047	16,653	31,179	20,135	27,146
Total obligations	$ 215,323	$ 67,020	$ 135,898	$ 20,135	$ 27,146

(d) CAPITAL MANAGEMENT

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

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

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with the credit facility covenants as at December 31, 2019.

(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, 2019 and December 31, 2018.

[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.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Accounts receivable	$ 959	$ (5,931)
Contract assets	(3,122)	(2,554)
Prepaid expenses and other assets	(263)	1,884
Accounts payable and accrued liabilities	6,632	(10,977)
Contract liabilities	1,477	(4,140)
Net income taxes payable	2,574	2,584
Change in non-cash operating working capital	$ 8,257	$ (19,134)

NOTE 14: COMMITMENTS

The following table represents the minimum annual future lease payments (excluding common are maintenance and property taxes), in aggregate, that the Company is required to make under existing lease agreements that are excluded from IFRS 16 due to either being low in value or short term.

2020	$ 3,364
2021	$ 2,739
2022	$ 1,371
2023	$ 49
2024	$ 40
Thereafter	$ 64

NOTE 15: FINANCE COSTS

	YEAR ENDED DECEMBER 31,	
	2019	**2018**
Interest on credit facilities	$ 3,310	$ 2,785
Interest on convertible debentures	2,530	3,295
Non-cash accretion of convertible debentures	2,555	4,811
Interest on lease liability	4,264	-
Interest on lease receivable	(356)	-
Other	123	48
INTEREST EXPENSE	$ 12,426	$ 10,939
Amortization of deferred financing costs	$ 457	$ 512
Other	415	621
OTHER FINANCE COSTS	$ 872	$ 1,133
FINANCE COSTS	$ 13,298	$ 12,072

NOTE 16: 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. 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 consolidated financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

NOTE 17: 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 additional consideration to be paid dependent upon 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. In addition to the assets purchased, IBI has assumed the office lease of Aspyr, out of which operations will continue. The lease has been recorded in accordance with IFRS 16 - Leases. No working capital or any other liabilities were assumed.

NOTE 18: INVESTMENTS

On November 8, 2019, the Company invested $199 ($150 USD) in Switch Energy Inc. in exchange rights in future equity. The Company has also agreed to invest an additional $100 USD in 2020 upon completion of certain milestones by the investee. Changes in the fair value of the investment will be recognized through profit and loss. As at December 31, 2019, the Company has assessed that there is no change to the fair value of the investment.

NOTE 19: DEFERRED SHARE PLAN

The Company offers a deferred share plan ("DSP") for independent members of the Board of Directors ("Board"). Under the DSP, directors of the Company may elect to allocate all or a portion of their annual compensation in the form of deferred shares rather than cash. These shares are fully vested upon issuance and are recorded as a financial liability at FVTPL in the consolidated statement of financial position amounting to $2,709 (December 31, 2018 - $1,680). Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2019, the Company granted 81,608 deferred shares (December 31, 2018 – 98,792) and redeemed nil deferred shares (December 31, 2018 – 62,697), for a total of 467,106 deferred shares outstanding as at December 31, 2019 (December 31, 2018 – 385,498). Compensation expense for the year ended December 31, 2019 related to the deferred shares was an expense of $1,028 (December 31, 2018 – an expense reversal of $647). 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, 2019:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2019	385,498	$ 1,681
Deferred shares issued	81,608	461
Change in fair value due to share price	-	567
BALANCE, DECEMBER 31, 2019	467,106	2,709

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

NOTE 20: 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%
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 year ended December 31, 2019, the Company has recognized an expense of $897 (year ended December 31, 2018 - $1,222) in salaries, fees and employee benefits for stock options in the consolidated statement of income and comprehensive income.

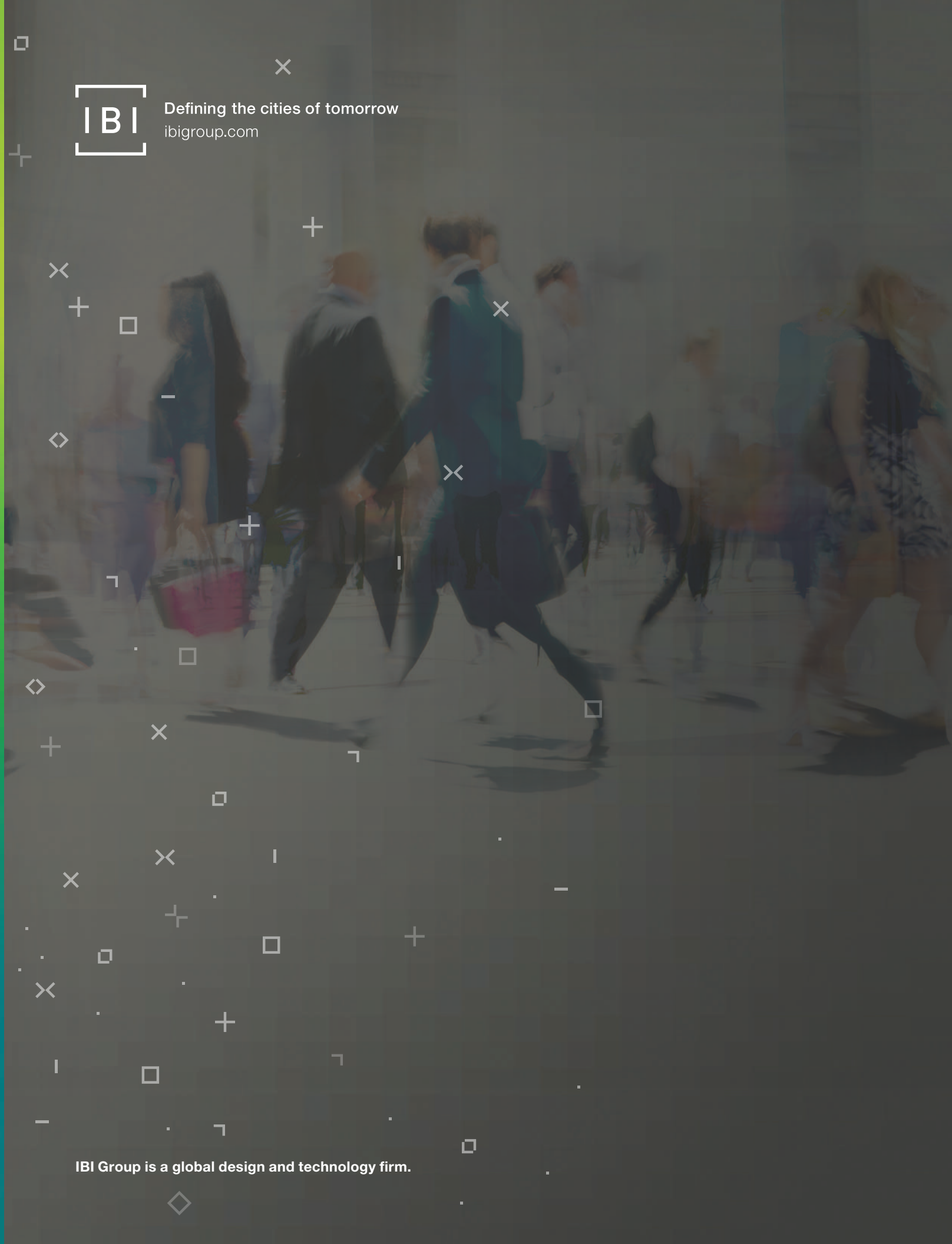
The following stock option arrangements were in existence as at December 31, 2019:

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	24,167	22,500	488,333	488,333	$ 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	24,167	29,834	1,431,540	938,419	$ 4.78	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 year ended December 31, 2019 an expense of $599 (year ended December 31, 2018 – $147) in salaries, fees and employee benefits for PSUs in the consolidated statement of income and comprehensive income.



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