IBI Group 2019
First-Quarter Financial Statements

THREE MONTHS ENDED
MARCH 31, 2019 AND 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(thousands of Canadian dollars)	NOTES		MARCH 31, 2019		DECEMBER 31, 2018
ASSETS					
Current Assets					
Cash	*5(c)*	**$**	**9,729**	$	9,460
Accounts receivable	*5(c),8*		**110,619**		114,796
Contract assets	*4*		**75,176**		68,287
Prepaid expenses and other current assets	*3*		**13,060**		15,276
Lease receivable	*3,5(c)*		**1,417**		–
Income taxes recoverable			**522**		505
Total Current Assets		**$**	**210,523**	$	208,324
Restricted cash	*5(c),8*		**3,123**		3,190
Other assets			**300**		300
Property and equipment			**18,970**		18,084
Intangible assets			**7,954**		8,089
Lease receivable	*3,5(c)*		**6,721**		–
Right of use assets	*3*		**71,800**		–
Deferred tax assets			**11,075**		10,179
TOTAL ASSETS		**$**	**330,466**	$	248,166
LIABILITIES AND DEFICIT					
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	*3,5(c),8*		**36,892**		39,671
Contract liabilities	*5(c),8*		**40,437**		40,394
Income taxes payable			**827**		1,999
Lease liability	*3,5(c)*		**11,621**		–
Onerous lease provisions	*3*		**–**		1,541
Total Current Liabilities		**$**	**89,777**	$	83,605
Onerous lease provisions			**–**		312
Credit facilities	*5(a)*		**73,774**		75,548
Convertible debentures	*5(b)*		**37,829**		37,213
Lease liability	*3,5(c)*		**74,797**		–
Other financial liabilities	*5(b)*		**4,866**		3,994
Deferred tax liabilities			**6,636**		5,496
TOTAL LIABILITIES		**$**	**287,679**	$	206,168
EQUITY					
Shareholders' Equity					
Share capital	*7*		**279,941**		279,926
Capital reserve	*7*		**3,224**		2,731
Contributed surplus	*7*		**7,958**		7,958
Deficit			**(256,247)**		(258,204)
Accumulated other comprehensive loss			**(3,721)**		(1,998)
Total Shareholders' Equity		**$**	**31,155**	$	30,413
Non-controlling interest	*7*		**11,632**		11,585
TOTAL EQUITY		**$**	**42,787**	$	41,998
TOTAL LIABILITIES AND EQUITY		**$**	**330,466**	$	248,166

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

THREE MONTHS ENDED MARCH 31 *(thousands of Canadian dollars, except per share amounts)*	**NOTES**		**2019**		**2018**
Revenue					
Gross Revenue		**$**	**113,674**	$	111,329
Less: Subconsultants and direct costs			**19,941**		20,514
NET REVENUE		**$**	**93,733**	$	90,815
Expenses					
Salaries, fees and employee benefits	*6,12*		**66,468**		64,387
Base rent	*3*		**-**		2,763
Variable lease expense	*3*		**2,430**		2,800
Other operating expenses			**10,595**		10,038
Foreign exchange loss	*8(a)*		**814**		551
Amortization of intangible assets			**459**		297
Depreciation of property and equipment			**1,260**		1,019
Depreciation of right of use assets	*3*		**3,186**		-
Change in fair value of other financial liabilities	*5(b)*		**872**		(4,067)
Impairment of financial assets	*8*		**370**		374
Impairment of right of use assets	*3*		**394**		-
			86,848		78,162
OPERATING INCOME		**$**	**6,885**	$	12,653
Interest expense, net	*3,8,10*		**3,086**		2,471
Other finance costs	*10*		**193**		262
FINANCE COSTS		**$**	**3,279**	$	2,733
NET INCOME BEFORE TAX		**$**	**3,606**	$	9,920
Current tax expense	*13*		**969**		292
Deferred tax expense	*13*		**286**		2,072
INCOME TAXES		**$**	**1,255**	$	2,364
NET INCOME		**$**	**2,351**	$	7,556
OTHER COMPREHENSIVE INCOME					
Items that are or may be reclassified to profit or loss					
Gain (loss) on translating financial statements of foreign operations			**(2,070)**		2,959
OTHER COMPREHENSIVE INCOME (LOSS)			**(2,070)**		2,959
TOTAL COMPREHENSIVE INCOME		**$**	**281**	$	10,515
NET INCOME ATTRIBUTABLE TO:					
Common shareholders			**1,957**		6,290
Non-controlling interests	*7*		**394**		1,266
NET INCOME		**$**	**2,351**	$	7,556
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO*:*					
Common shareholders		**$**	**234**	$	8,753
Non-controlling interests	*7*		**47**		1,762
TOTAL COMPREHENSIVE INCOME		**$**	**281**	$	10,515
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic and Diluted earnings per share	*7*	**$**	**0.06**	$	0.20

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

THREE MONTHS ENDED MARCH 31 *(thousands of Canadian dollars)*	**NOTES**	**2019**	**2018**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income		$ **2,351**	$ 7,556
Items not affecting cash:			
Onerous lease provision	*3*	**-**	(1,271)
Depreciation of property and equipment		**1,260**	1,019
Amortization of intangible assets		**459**	297
Amortization of right of use assets	*3*	**3,186**	-
Amortization of deferred financing costs		**117**	137
Impairment of financial assets	*8*	**370**	374
Impairment of right of use assets		**394**	-
Foreign exchange loss (gain)	*8*	**814**	551
Interest expense, net	*3,10*	**3,086**	2,471
Deferred tax expense	*13*	**286**	2,072
Share based compensation option expense	*12*	**493**	335
Deferred share units issued		**103**	135
Change in fair value of deferred share units		**278**	(249)
Loss on disposal of property and equipment		**46**	176
Change in fair value of other financial liabilities	*5(b)*	**872**	(4,067)
Interest paid		**(1,879)**	(676)
Income taxes paid		**(1,048)**	(571)
Change in non-cash operating working capital	*9*	**(3,648)**	(4,768)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		$ **7,540**	$ 3,521
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Payments on principal of credit facilities	*5(a)*	**(1,520)**	(2,100)
Deferred financing costs	*5(a)*	**(84)**	(55)
Payment of lease liabilities	*3*	**(2,623)**	-
Proceeds from shares issued	*7*	**15**	4
NET CASH FLOWS USED IN FINANCING ACTIVITIES		$ **(4,212)**	$ (2,151)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,279)**	(1,379)
Purchase of intangible assets		**(401)**	(225)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		$ **(2,680)**	$ (1,604)
Effects of currency translation on cash and cash equivalents	*8*	**(379)**	214
NET INCREASE (DECREASE) IN CASH		$ **269**	$ (20)
Cash, beginning of period		**9,460**	9,833
CASH, END OF PERIOD		$ **9,729**	**$ 9,813**

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

(unaudited)

THREE MONTHS ENDED MARCH 31 *(thousands of Canadian dollars)*	**NOTES**	**2019**	**2018**
SHARE CAPITAL			
Share capital, beginning of period		**$ 279,926**	$ 279,679
Shares issued	*7*	**15**	247
SHARE CAPITAL, END OF PERIOD		**$ 279,941**	$ 279,926
CAPITAL RESERVE			
Capital reserve, beginning of period		**$ 2,731**	$ 1,362
Stock options granted	*12*	**237**	322
Stock options exercised	*12*	**(5)**	(2)
Performance share units granted	*12*	**261**	13
CAPITAL RESERVE, END OF PERIOD		**$ 3,224**	$ 1,695
CONTRIBUTED SURPLUS			
Contributed surplus, beginning of period		**$ 7,958**	$ 7,397
CONTRIBUTED SURPLUS, END OF PERIOD		**$ 7,958**	$ 7,397
DEFICIT			
Deficit, beginning of period		**$ (258,204)**	$ (273,105)
Net income attributable to common shareholders		**1,957**	6,290
DEFICIT, END OF PERIOD		**$ (256,247)**	$ (266,815)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT			
Convertible debentures, beginning of period	*5(b)*	**$ -**	$ 561
CONVERTIBLE DEBENTURES, END OF PERIOD		**$ -**	$ 561
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Accumulated other comprehensive loss, beginning of period		**$ (1,998)**	$ (7,232)
Other comprehensive income (loss) attributable to common shareholders		**(1,723)**	2,463
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		**$ (3,721)**	$ (4,769)
TOTAL SHAREHOLDERS' EQUITY		**$ 31,155**	$ 17,995
NON-CONTROLLING INTEREST			
Non-controlling interest, beginning of period		**$ 11,585**	$ 7,100
Total comprehensive income attributable to non-controlling interests	*7*	**47**	1,762
NON-CONTROLLING INTEREST, END OF PERIOD		**$ 11,632**	$ 8,862
TOTAL EQUITY, END OF PERIOD		**$ 42,787**	$ 26,857

See accompanying notes to the interim condensed consolidated financial statements.

(in thousands of Canadian dollars, except per share and share amounts)

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

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

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership (“IBI Group”), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at March 31, 2019, the Company’s common share capital consisted of 31,225,044 (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 March 31, 2019 would be 37,507,266 (December 31, 2018 – 37,503,099). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 35.6% of the voting shares as at March 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 March 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	16.75%
Common shares held by the Management Partnership and affiliated partnerships	7,084,410	18.89%

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

(in thousands of Canadian dollars, except per share and share amounts)

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

This is the first set of the Company's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were approved and authorized for issue by the Company's Board of Directors on May 9, 2019.

(b) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(c) 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. 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 3: CHANGES IN ACCOUNTING POLICIES

IFRS 16 LEASES

(a) DEFINITION OF A LEASE

If a contract gives right to control the use of an identified asset for a period of time in exchange for consideration the Company will establish a right-of-use asset and lease liability. The standard requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases.

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

(in thousands of Canadian dollars, except per share and share amounts)

(c) TRANSITION IMPACT

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

	Impact of changes in accounting policy		
	December 31, 2018	**Increase / (Decrease)**	**January 1, 2019**
Right-of-use assets	$ -	$ 74,661	$ 74,661
Lease receivable	-	7,072	7,072
Prepaid expenses and other current	15,276	(1,097)	14,179
Total Assets	$ 248,166	$ 80,636	$ 328,802
Accounts payable and accrued liabilities	$ 39,671	$ (2,611)	$ 37,060
Lease liabilities	-	85,100	85,100
Onerous lease provision	1,853	(1,853)	-
Total Liabilities	$ 206,168	$ 80,636	$ 286,804

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

	Right-of-Use Assets			
	Real Estate	**Equipment**	**Vehicles**	**Total**
Balance as at January 1, 2019	$ 72,532	$ 1,931	$ 198	$ 74,661
Additions	2,497	119	-	2,616
Allocation to lease receivable due to new sublease agreements	(1,330)	-	-	(1,330)
Depreciation	(2,958)	(212)	(16)	(3,186)
Impairment	(394)	-	-	(394)
Foreign exchange gain (loss)	(577)	7	3	(567)
Balance as at March 31, 2019	$ 69,770	$ 1,845	$ 185	$ 71,800

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	5.00%
Discounted using the incremental borrowing rate at January 1, 2019	$ 87,847
Less: Recognition exemption for leases of low value assets	(1,455)
Less: Recognition exemption for leases with less than 12 months of remaining lease term at transition	(1,292)
Lease liabilities recognized at January 1, 2019	$ 85,100

(in thousands of Canadian dollars, except per share and share amounts)

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

Right-of-use asset/Lease liability reconciliation
(Add / (Deduct))

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

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

(d) PERIOD IMPACT

During the period for the three months ended March 31, 2019, the Company recognized on the statement of profit and loss a depreciation expenses of $3,186 on its right-of-use asset, interest expense of $1,077 on its lease liabilities, and interest income of $105 on its lease receivables.

(in thousands of Canadian dollars, except per share and share amounts)

NOTE 4: SEGMENT INFORMATION

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

(a) OPERATING SEGMENTS

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

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

(b) GEOGRAPHIC SEGMENTS

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

	AS AT MARCH 31, 2019				
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	TOTAL
Property and equipment	$ 13,462	$ 3,654	$ 1,195	$ 659	$ 18,970
Intangible assets	6,215	1,419	320	-	7,954
Contract assets	31,407	18,825	4,170	20,774	75,176
Contract liabilities	24,707	5,584	4,598	5,548	40,437
Total assets	166,486	83,886	21,492	58,602	330,466
Right of use assets	42,094	24,405	3,521	1,780	71,800
Lease receivable	6,297	1,841	-	-	8,138
Total assets excluding the impact of IFRS 16 transition	118,095	57,640	17,971	56,822	250,528

	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	26,146	17,676	3,807	20,658	68,287
Contract liabilities	26,395	5,324	3,407	5,268	40,394
Total assets	115,368	56,955	18,435	57,408	248,166

(in thousands of Canadian dollars, except per share and share amounts)

The following table demonstrates certain information contained in the interim statement of income and comprehensive income segmented geographically for three months ended March 31, 2019 and 2018. The unallocated amounts for the three months ended March 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 loss (gain) in fair value of deferred share units.

	THREE MONTHS ENDED MARCH 31, 2019					
	CANADA	UNITED STATES	UNITED KNGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross revenues	$ 61,797	$ 35,677	$ 7,972	$ 8,228	$ -	$ 113,674
Less: subconsultants and direct expenses	7,585	9,148	1,073	2,135	-	19,941
Net revenue	$ 54,212	$ 26,529	$ 6,899	$ 6,093	$ -	$ 93,733
Adjusted EBITDA[2]	$ 7,426	$ 1,785	$ 17	$ 1,518	$ -	$ 10,746
Items excluded in calculation of Adjusted EBITDA[2]:						
Interest expense, net	597	348	47	24	2,070	3,086
Amortization and depreciation	2,416	1,773	476	240	-	4,905
Foreign exchange (gain) loss	136	(240)	(94)	1,012	-	814
Change in fair value of other financial liabilities	-	-	-	-	872	872
Change in fair value of deferred share units	-	-	-	-	278	278
Stock based compensation	207	17	2	11	-	237
Performance share units	261	-	-	-	-	261
Deferred financing charges	-	-	-	-	117	117
IFRS 16 lease accounting adjustment	(1,343)	(1,609)	(335)	(143)	-	(3,430)
Net income (loss) before tax	$ 5,152	$ 1,496	$ (79)	$ 374	$ (3,337)	$ 3,606

[1] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.
[2] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

(in thousands of Canadian dollars, except per share and share amounts)

	THREE MONTHS ENDED MARCH 31, 2018					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS[1]	TOTAL
Gross Revenues	$ 59,419	$ 33,341	$ 8,502	$ 10,067	$ -	$ 111,329
Less: subconsultants and direct expenses	7,489	8,345	1,438	3,242	-	20,514
Net revenue	$ 51,930	$ 24,996	$ 7,064	$ 6,825	$ -	$ 90,815
Adjusted EBITDA[2]	$ 7,540	$ (929)	$ 45	$ 2,487	$ -	$ 9,143
Items excluded in calculation of Adjusted EBITDA:						
Interest expense, net	93	2	12	25	2,339	2,471
Amortization and depreciation	614	433	237	32	-	1,316
Foreign exchange (gain) loss	(117)	232	161	275	-	551
Gain in fair value of other financial liabilities	-	-	-	-	(4,067)	(4,067)
Change in fair value of deferred share units	-	-	-	-	(249)	(249)
Stock based compensation	280	26	3	11	-	320
Performance share units	13	-	-	-	-	13
Deferred financing charges	-	-	-	-	138	138
Change in onerous lease provision	(1,270)	-	-	-	-	(1,270)
Net income (loss) before tax	$ 7,927	$ (1,622)	$ (368)	$ 2,144	$ 1,839	$ 9,920

NOTE 5: FINANCIAL INSTRUMENTS

(a) INDEBTEDNESS

On September 27, 2018, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 27, 2022, and increasing the swing line facility maximum available amount to $20,000. The total revolver facility remains unchanged at $130,000. As at March 31, 2019, the interest rate on Canadian dollar borrowings was 5.20% (March 31, 2018 – 4.45%) and 6.75% on U.S dollar borrowings (March 31, 2018 – 5.75%).

As at March 31, 2019, IBI Group has borrowings of $75,352 (December 31, 2018 - $77,159) under the credit facilities, which has been recorded on the balance sheet net of deferred financing costs of $1,578 (December 31, 2018 - $1,611). Inclusive of the $75,352 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 March 31, 2019 of $13,347 CAD (December 31, 2018 - $13,634 CAD). As at March 31, 2019, IBI Group has letters of credit outstanding of $4,191 (December 31, 2018 - $4,681), of which $3,943 (December 31, 2018 - $4,428) is issued under a $30,000 facility which matures on June 30, 2020 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver

[1] Unallocated corporate costs represent costs not associated with a particular operating segment and are bared by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.
[2] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

(in thousands of Canadian dollars, except per share and share amounts)

facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Bankers' Acceptance rates plus, in each case, an applicable margin. Of the $75,352 outstanding borrowings as at March 31, 2019, $74,547 was outstanding under the Bankers' Acceptance and LIBOR agreements with the remaining $805 borrowed as prime rate debt (December 31, 2018 - $74,834 and $2,325 respectively).

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 March 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	
	MARCH 31, 2019	MARCH 31, 2018
Balance at January 1	$ 75,548	$ 74,382
Payments on principal of credit facilities	(1,520)	(2,100)
Deferred financing capitalization	(84)	(55)
Amortization of deferred financing costs	117	138
Impact of foreign exchange	(287)	341
Ending Balance	$ 73,774	$ 72,706

(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	616	-	616
Change in fair value of other financial liabilities	-	872	872
BALANCE, MARCH 31, 2019	$ 37,829	$ 4,866	$ 42,695

(in thousands of Canadian dollars, except per share and share amounts)

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 interim statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the debenture holders for an equivalent amount of cash. As at March 31, 2019, the fair value of the derivative component was $4,866 (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 March 31, 2019, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	$ 37,829	$ 46,460
BALANCE, MARCH 31, 2019	$ 37,829	$ 46,460

(in thousands of Canadian dollars, except per share and share amounts)

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, and lease liability approximate their carrying amounts due to their short-term maturity. The lease liability approximates the fair value as the incremental borrowing rate used at January 1, 2019 to determine the liability did not materially change during the first quarter. 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 March 31, 2019 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	**AMORTIZED COST**	**TOTAL**
FINANCIAL ASSETS			
Cash	$ 9,729	$ -	$ 9,729
Restricted cash	3,123	-	3,123
Accounts receivable	-	110,619	110,619
Lease receivable[1]	-	8,138	8,138
TOTAL	$ 12,852	$ 118,757	$ 131,609
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ 34,777	$ 34,777
Deferred share plan liability	2,115	-	2,115
Lease liability[1]	-	86,418	86,418
Credit facilities	-	73,774	73,774
Convertible debentures	-	37,829	37,829
Other financial liabilities	4,866	-	4,866
TOTAL	$ 6,981	$ 232,798	$ 239,779

[1] Upon adoption of IFRS 16 the following financial instruments were recognized, lease receivable and lease liability with a carrying value as at March 31, 2019 of $8,139 and $86,418 respectively. In addition to the financial instruments a right-of-use capital asset was recognized with a carrying value of $71,800 as at March 31, 2019.

(in thousands of Canadian dollars, except per share and share amounts)

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

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	AMORTIZED COST	TOTAL
FINANCIAL ASSETS			
Cash	$ 9,460	$ -	$ 9,460
Restricted cash (restated)	3,190	-	3,190
Accounts receivable	-	114,796	114,796
TOTAL	$ 12,650	$ 114,796	$ 127,446
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ 37,990	$ 37,990
Deferred share plan liability	1,681	-	1,681
Credit facilities	-	75,548	75,548
Convertible debentures	-	37,213	37,213
Other financial liabilities	3,994	-	3,994
TOTAL	$ 5,675	$ 150,751	$ 156,426

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

	AS AT MARCH 31, 2019		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 9,729	$ -	$ -
Restricted cash	-	3,123	-
Deferred share plan liability	-	(2,115)	-
Other Financial Liabilities	-	(4,866)	-
	$ 9,729	$ (3,858)	$ -

	AS AT DECEMBER 31, 2018		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 9,460	$ -	$ -
Restricted cash	-	3,190	-
Deferred share plan liability	-	(1,681)	-
Other Financial Liabilities	-	(3,994)	-
	$ 9,460	$ (2,485)	$ -

NOTE 6: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2019 was $3,730 (three months ended March 31, 2018 - $3,915). As at March 31, 2019, there were 47 partners (March 31, 2018 – 54 partners). As at March 31, 2019, the amount payable to the Management Partnership was $184 (December 31, 2018 - $233).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership.

NOTE 7: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at March 31, 2019, the Company's common share capital consisted of 31,225,044 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 March 31, 2019, the units issued on such exchange would have represented a 16.75% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders, although the holder also holds an equal number of non-participating voting shares in the Company. The Class B partnership units have been recorded as a non-controlling interest in the interim financial statements as at March 31, 2019.

SHARE ISSUANCES

During the three months ended March 31, 2019, the Company issued 4,167 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.

(in thousands of Canadian dollars, except per share and share amounts)

	THREE MONTHS ENDED MARCH 31,	
	2019	**2018**
Net income	$ 2,351	$ 7,556
Net income attributable to common shareholders	$ 1,957	$ 6,290
Weighted average common shares outstanding	31,222	31,210
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of convertible debentures outstanding	-	77
Dilutive effect of stock options granted	235	566
Diluted weighted average common shares outstanding	37,739	38,135
Basic earnings per common share	$ 0.06	$ 0.20
Diluted earnings per common share	$ 0.06	$ 0.20

(b) NON-CONTROLLING INTEREST

Non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the interim condensed consolidated statement of changes in equity for the three months ended March 31, 2019.

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

	THREE MONTHS ENDED MARCH 31,	
	2019	**2018**
Net income	$ 2,351	$ 7,556
Non-controlling interest share of ownership	16.75%	16.75%
Net income attributable to non-controlling interest	$ 394	$ 1,266

	THREE MONTHS ENDED MARCH 31,	
	2019	**2018**
Total comprehensive income	$ 281	$ 10,515
Non-controlling interest share of ownership	16.75%	16.75%
Total comprehensive income attributable to non-controlling interest	$ 47	$ 1,762

NOTE 8: FINANCIAL RISK MANAGEMENT

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

(a) MARKET RISK

INTEREST RATE RISK

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

If the interest rate on the Company's variable rate loan balance as at March 31, 2019, had been 50 basis points higher or lower, with all other variables held constant, net income for the three months ended March 31, 2019 would have decreased or increased by approximately $277.

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.

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 the foreign subsidiaries, offset by the foreign exchange impact of its U.S dollar drawings on its credit facilities.

If the exchange rates had been 100 basis points higher or lower as at March 31, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by $18 for the three months ended March 31, 2019. If the exchange rates had been 100 basis points higher or lower as at March 31, 2019, with all other variables held constant, net income would have increased or decreased by $6 for the three months ended March 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 March 31, 2019 there were 62 working days of revenue in accounts receivable, compared to 63 days at December 31, 2018. The maximum exposure to credit risk, at the date of the interim statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the interim statement of financial position.

(in thousands of Canadian dollars, except per share and share amounts)

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

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

	AS AT	
	MARCH 31, 2019	**DECEMBER 31, 2018**
Current	$ 37,728	$ 40,327
30 to 90 days	34,317	40,451
Over 90 days	47,788	44,166
Gross accounts receivable	119,833	124,944
Allowance for impairment losses	(9,214)	(10,148)
TOTAL	$ 110,619	$ 114,796

Changes in the allowance for impairment losses were as follows:

	2019	**2018**
Balance at beginning of year	$ (10,148)	$ (8,970)
Provision for doubtful accounts	(220)	(1,247)
Amounts written-off	1,010	559
Effect of foreign currency exchange rate changes	144	(490)
Balance at end of year	**(9,214)**	**(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 March 31, 2019 was 1.66% on contract assets for impairment loss of $1,250 (December 31, 2018 – loss rate of 1.61% 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 three months ended March 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 5 – Financial Instruments) and access to capital markets.

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

As at March 31, 2019, a foreign subsidiary of the Company had issued letters of credit in the amount of USD $2,300, which is equal to CAD $3,123 (December 31, 2018 – CAD $3,190). The Company has pledged USD $2,300 (December 31, 2018 – USD $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 March 31, 2019, the Company has letters of credit outstanding to foreign institutions of $248 (December 31, 2018 - $253).

(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 March 31, 2019.

[1] As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; 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.

(in thousands of Canadian dollars, except per share and share amounts)

NOTE 9: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	THREE MONTHS ENDED MARCH 31, 2019	THREE MONTHS ENDED MARCH 31, 2018
Accounts receivable	$ 3,098	$ 13,425
Contract assets	(7,884)	(5,732)
Prepaid expenses and other assets	1,065	(246)
Lease receivable	(1,292)	-
Right of use assets	(1,048)	-
Accounts payable and accrued liabilities	(1,449)	(8,679)
Lease liability	4,777	-
Contract liabilities	272	(3,239)
Net income taxes payable	(1,187)	(297)
Change in non-cash operating working capital	$ (3,648)	$ (4,768)

NOTE 10: FINANCE COSTS

	THREE MONTHS ENDED MARCH 31, 2019	THREE MONTHS ENDED MARCH 31, 2018
Interest on credit facilities	$ 830	$ 538
Interest on convertible debentures	624	882
Non-cash accretion of convertible debentures	616	917
Interest on lease liability	1,077	-
Interest on lease receivable	(105)	-
Other	44	134
INTEREST EXPENSE	$ 3,086	$ 2,471
Amortization of deferred financing costs	117	137
Other	76	125
OTHER FINANCE COSTS	$ 193	$ 262
FINANCE COSTS	$ 3,279	$ 2,733

NOTE 11: CONTINGENCIES

(a) LEGAL MATTERS

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

(b) INDEMNIFICATIONS

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

NOTE 12: SHARE-BASED COMPENSATION

EQUITY SETTLED TRANSACTIONS

Deferred Share Units

The Company has a share-based compensation plan which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as financial liabilities at FVTPL. On the grant date, the deferred shares are measured at fair value based on the market price with subsequent changes to the fair value until settlement recorded as salaries, fees and employee benefit expenses. The change in fair value of the deferred shares is recognized in other operating expenses in the interim statement of income and comprehensive income. During the three months ended March 31, 2019, an expense of $278 was recognized (three months ended March 31, 2018 – recovery of $249) due to market movement in the share price.

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.

(in thousands of Canadian dollars, except per share and share amounts)

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%

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

For the three months ended March 31, 2019, the Company has recognized an expense of $237 (three months ended March 31, 2018 - $322) in salaries, fees and employee benefits for stock options in the interim statement of income and comprehensive income.

The following stock option arrangements were in existence as at March 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	9,167	22,500	503,333	503,333	$ 2.33	$ 618,816
25-May-16	25-May-26	99,213	-	-	99,213	66,142	$ 4.49	$ 262,253
16-May-17	16-May-27	69,107	-	-	69,107	23,036	$ 7.01	$ 300,846
17-Jul-17	17-Jul-27	316,500	-	7,334	309,166	103,055	$ 6.63	$ 1,245,954
9-Aug-17	9-Aug-27	77,315	-	-	77,315	25,772	$ 6.79	$ 310,550
20-Mar-18	20-Mar-28	71,942	-	-	71,942	23,981	$ 7.24	$ 310,550
9-May-18	9-May-28	69,500	-	-	69,500	-	$ 7.49	$ 320,627
6-Mar-19	6-Mar-29	156,464	-	-	156,464	-	$ 4.49	$ 406,650
		1,395,041	9,167	29,834	1,356,040	745,319	$ 4.74	3,776,246

Performance share units

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

The Company has recognized for the three months ended March 31, 2019 an expense of $261 (three months ended March 31, 2018 - $13), in salaries, fees and employee benefits for PSUs in the interim statement of income and comprehensive income.

NOTE 13: INCOME TAXES

Income taxes for the three months ended March 31, 2019 was $1,255 (three months ended March 31, 2018 - $2,364). The effective income tax rate for the three months ended March 31, 2019 was 34.8% (three months ended March 31, 2018 – 23.8%). The increase in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.