



Altus Group

ANNUAL REPORT

2018



Altus Group Limited

Annual Report December 31, 2018



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Management's Discussion & Analysis

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The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited (the "Company" or "Altus Group"), its business environment, strategies, performance, and outlook and the risks applicable to Altus Group. It should be read in conjunction with our consolidated financial statements and accompanying notes (the "financial statements") for the year ended December 31, 2018, which have been prepared on the basis of International Financial Reporting Standards ("IFRS") and reported in Canadian dollars. Unless otherwise indicated herein, references to "\$" are to Canadian dollars.

Unless the context indicates otherwise, all references to "we", "us", "our" or similar terms refer to Altus Group, and, as appropriate, our consolidated operations.

This MD&A is dated as of February 21, 2019.

Forward-Looking Information

Certain information in this MD&A may constitute "forward-looking information" within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of our business and operating initiatives, focuses and strategies, our expectations of future performance for our various business units and our consolidated financial results, and our expectations with respect to cash flows and liquidity. Generally, forward-looking information can be identified by use of words such as "may", "will", "expect", "believe", "plan", "would", "could", "remain" and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: engagement and product pipeline opportunities in Altus Analytics will result in associated definitive agreements; settlement volumes in Property Tax will occur on a timely basis and that assessment authorities will process appeals in a manner consistent with expectations; the successful execution of our business strategies; consistent and stable economic conditions or conditions in the financial markets; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; the opportunity to acquire accretive businesses; the successful integration of acquired businesses; and the continued availability of qualified professionals.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; currency risk; ability to maintain profitability and manage growth; commercial real estate market; competition in the industry; acquisitions; oil and gas sector; ability to attract and retain professionals; information from

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multiple sources; reliance on larger enterprise transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change and develop products on a timely basis; protection of intellectual property or defending against claims of intellectual property rights of others; ability to implement technology strategy and ensure workforce adoption; information technology governance and security, including cyber security; engagement and product pipeline opportunities do not result in sufficient definitive agreements; property tax assessment regulators do not process appeals in a manner consistent with expectations; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; weather; legislative and regulatory changes; customer concentration and loss of material clients; interest rate risk; credit risk; income tax matters; revenue and cash flow volatility; health and safety hazards; performance of contractual obligations and client satisfaction; risk of legal proceedings; insurance limits; ability to meet solvency requirements to pay dividends; leverage and financial covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders' interests, as described in this document under "Key Factors Affecting the Business".

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Altus Group, our financial or operating results, or our securities.

Certain information in this MD&A may be considered as "financial outlook" within the meaning of applicable securities legislation. The purpose of this financial outlook is to provide readers with disclosure regarding Altus Group's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures, and do not have any standardized meaning under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA"), represents profit (loss) before income taxes adjusted for the effects of finance costs (income), amortization of intangibles, depreciation of property, plant and equipment, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, impairment

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charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged and other costs or income of a non-operating and/or non-recurring nature. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. Refer to page 24 for a reconciliation of Adjusted EBITDA to our financial statements.

Adjusted Earnings (Loss) per Share, ("Adjusted EPS"), represents basic earnings (loss) per share adjusted for the effects of amortization of intangibles acquired as part of business acquisitions, non-cash finance costs (income) related to the revaluation of amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, interest accretion on contingent consideration payables, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature. All of the adjustments are made net of tax. Refer to page 25 for a reconciliation of Adjusted EPS to our financial statements.

Overview of the Business

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate ("CRE") industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest commercial real estate industry participants.

We have three reporting business segments - Altus Analytics, Commercial Real Estate Consulting ("CRE Consulting") and Geomatics.

Altus Analytics

Our Altus Analytics segment consists of revenues from software sold under the ARGUS brand (which includes license sales, maintenance, subscriptions, and related technology services) and from data solutions (that are made available to clients through our Appraisal Management offering, as well as through data subscription products). Altus Analytics clients predominately consist of large owners, managers and investors of CRE assets and CRE funds, as well as other CRE industry participants including service providers, brokers, and developers.

Our ARGUS software solutions are among the most recognized in the CRE industry and are sold globally. Our flagship ARGUS Enterprise ("AE") software is the leading global solution for CRE valuation and portfolio management and is widely recognized as the industry property valuation standard in key CRE markets. AE's suite of functionality enables valuation and cash flow analysis, property budgeting and strategic planning, investment and fund structure forecasting, dynamic reporting capabilities, and scenario sensitivity and risk analysis. Other ARGUS products include ARGUS Developer and ARGUS EstateMaster (software for development feasibility analysis), ARGUS on Demand ("AOD") (a hosted version of AE and ARGUS Developer), ARGUS Voyanta (a cloud-based data management solution), ARGUS Taliance (cloud-

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based solutions for alternative investment firms), and ARGUS Acquire (a cloud-based deal management solution for CRE acquisitions). ARGUS Enterprise, ARGUS Developer and ARGUS EstateMaster are sold as perpetual licenses with ongoing maintenance, or on a subscription basis, and all of our cloud products are sold on a subscription basis.

In addition to our global software solutions, in the U.S., we offer appraisal management solutions with data and analytics functionality that allow institutional real estate investors to perform quarterly performance reviews, benchmarking and attribution analysis of their portfolios with the use of our proprietary data analytics platforms. Through our Appraisal Management offering, we manage the entire valuation process on behalf of our institutional clients, providing independent oversight and expertise while leveraging our data analytics platforms. This offering is also increasingly expanding into Europe and Asia. Our Appraisal Management clients primarily consist of open and closed real estate funds, including large pension funds. The contractual terms of our Appraisal Management agreements are generally for three to five year terms and pricing is primarily based on the number of real estate assets on our platform, adjusted for frequency of valuations and complexity. We enjoy very high contract renewal rates. Our Appraisal Management teams are also engaged from time to time to perform due diligence assignments in connection with CRE transactions.

In Canada, Altus Analytics also includes data subscription products, such as RealNet and Altus InSite, which provide comprehensive real estate information on the Canadian residential, office, industrial and investment markets. Our Canadian data covers new homes, investment transactions and commercial market inventory in key markets, and also provides intelligence on the national housing market and consumer home buying and borrowing patterns.

A significant portion of Altus Analytics revenues is comprised of recurring revenues. Recurring revenues represent revenues related to software and data subscriptions (where the contract value for software subscriptions is recognized ratably over the contract term), maintenance for perpetual licenses, and Appraisal Management contracts. Consistent with recurring revenues disclosed in prior years, this depicts the economics of our renewable contracts.

Commercial Real Estate Consulting

Our CRE Consulting services consist of the Property Tax and Valuation and Cost Advisory business segments. Through our various practice areas, we are well equipped to serve clients with an end-to-end solution that spans the life cycle of CRE assets - from feasibility, development, acquisition, management and disposition. Our professionals possess extensive industry, market and asset-specific knowledge that contribute to our proprietary internal data systems. We have long-standing relationships with the leading CRE market participants - including owner operators, developers, financial institutions, and various CRE asset holders and investors.

Our largest revenue contributor to CRE Consulting is our Property Tax business which operates in Canada, the U.S. and the U.K. Our team of Property Tax professionals help clients minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, management and appeals, as well as in the U.S., personal property and state and local tax advisory services. Valuation services, which are predominantly provided in Canada, consist of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting. Our Cost practice, offered in both the private and public sectors in North America and Asia

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Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Given the strength of our brand, our independence and quality of our work, we enjoy a high rate of client renewals across all of our CRE Consulting businesses. Pricing for our services is based on a fixed fee or time and materials fee basis, and for a significant number of projects in Property Tax, on a contingency basis.

Geomatics

Our Geomatics business operates primarily in Western Canada, with a significant number of clients in the oil and gas exploration and development sector. Geomatics is the practice of recording and managing spatially referenced information, including land surveying, geographic information systems, global positioning systems and light detection and ranging. Our services, performed by highly qualified certified professionals, include land surveys and mapping for setting of property boundaries, route and corridor selection, land settlement, construction developments, and oil field and well-sites. Our competitive advantages include the depth of our team's experience and specialized training, our strong track record of safety, the timeliness and quality of our work, and our geographic strength in Western Canada. Our services are primarily charged on a time and materials fee basis.

Strategy

Real estate investment allocation continues to steadily rise while CRE asset ownership is becoming more institutionalized, complex and globalized. After years of limited investment in technology, there is growing evidence that the CRE market is increasingly embracing technology and starting to better utilize data to optimize assets and mitigate risks. With the increased complexity of the CRE market, there is also a growing need for specialized expert services. Altus Group is at the forefront of this opportunity, with analytics solutions and expert services that help clients navigate the complexities of the CRE market to make better informed decisions and maximize the value of their real estate assets and investments.

We remain competitively positioned to capitalize on the growing demand for CRE technology, data and advisory solutions. Our key competitive strengths in the marketplace are comprised of our industry expertise, our data and software solutions, and the breadth and diversity of our offerings that position us to address a wide range of client needs in the CRE market and our customer base. Our global scale, existing client relationships with some of the world's largest CRE companies, and independence from brokers and asset owners/investors are also key differentiators that enhance our reputation.

Our established industry position and favourable market trends support our long-term growth objectives and our determination to become a global leader in information and data analytics to the CRE market. Our strategy consists of various initiatives that contribute to our broader objective of scaling Altus Group globally with multi-product end-to-end solutions for the CRE market.

Strategic Initiatives

Across the business, we continually identify opportunities for improvement and capitalize on growth prospects to enhance all of our client offerings and internal capabilities. We have a disciplined approach to pursuing investments and prioritize opportunities that support our longer-term growth objectives and help us sustain our market leadership. While we continue to focus on enhancing every business (specifically through data and technology), we are especially focused on the following strategic initiatives for 2019:

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Altus Analytics

Our long-term objective is to transition Altus Analytics from a collection of high value point solutions to an enterprise-grade software and data analytics market leader that unifies valuation and asset management capabilities into a single, cloud-based platform for the CRE industry. To achieve this, we will continue to expand the global adoption of AE while developing a product roadmap aimed at integrating our solutions onto a cloud-based platform that will further enhance recurring revenues.

Our “ARGUS Everywhere” strategy encompasses:

- a) Increasing customer wallet share by broadening the use of AE across the organization and through additional AE modules and ARGUS branded solutions (add-on sales were a significant contributor to total license sales in 2018);
- b) Leveraging our large customer base to drive global adoption of AE, specifically focusing on our largest customers (we are especially focused on our Top 200 global clients, the majority of which have not yet deployed AE globally across their organizations); and
- c) Expanding into new markets (with a specific focus on strengthening our presence in Germany, France and Asia, where our market penetration remains modest).

This strategy complements our focus on pursuing large enterprise transactions with global, multi-product contracts for end-to-end client needs and increasing our recurring revenues through a higher mix of subscription contracts. Our global large client transactions will increasingly also include Appraisal Management solutions. Our product roadmap will continue to focus on integration across all of our capabilities and reflect the addition of functionality, data and applications that will allow clients to increasingly move to a cloud environment. The early phases of our cloud strategy consist of developing new applications that will be cloud-based but synchronized with AE on-premise solutions and AOD through application programming interfaces (API) and portal functionality. These web applications will be sold separately on a SaaS basis.

In addition to our growth strategy for our ARGUS Software business, we remain focused on growing our Appraisal Management offering in the U.S. where favourable market trends support our organic growth initiatives, while expanding our market presence in Europe and Asia Pacific by leveraging our global U.S. relationships. Consistent with past years, we expect growth will be driven by both current customers increasing the number of assets on our platform and net new client additions.

Property Tax

Our Property Tax practice continues to represent an attractive growth area. Our objective is to grow and scale our Property Tax business to a leading, independent global property tax advisory practice that leverages technology and data. Our data and expert knowledge combine to make us a leader in the industry.

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Our strategic initiatives comprise of the following:

- a) Organic growth by leveraging Altus Analytics relationships, and by increasing business development and marketing efforts aimed at increasing market share;
- b) Pursuit of financially accretive acquisitions when opportunities arise - specifically in the U.S. where the market remains fragmented; and
- c) Enhancement of our service offering with technology and data through our Tax Analytics Platform ("TAP") to enhance client value while improving internal efficiencies by automating workflows. In 2019 we plan to leverage TAP in Canada to drive improved performance, while continuing to tailor functionality for the U.S. and U.K. markets for broader adoption in 2020.

Data Opportunity

Our leading Expert Services and Altus Analytics offerings collect valuable and detailed CRE industry data on various asset classes and for many major CRE markets. As ARGUS users increasingly move into a cloud environment, the depth of our data strengthens. This provides us with a unique long-term opportunity to re-purpose and eventually monetize this data to drive differentiation, launch new products and strengthen our recurring revenue streams. We have been laying the groundwork for this opportunity by developing technology that captures and organizes the data that we collect across each of our businesses and through strategic partnerships. In the long term, this infrastructure will enable us to better integrate our current products, to pursue more data-sharing partnerships, and to leverage the data to develop new applications and data-driven products in cloud-based environments.

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Financial and Operating Highlights

Selected Financial Information	Year ended December 31,	
	2018	2017 ⁽¹⁾
<i>In thousands of dollars, except for per share amounts</i>		
Revenues	\$ 510,429	\$ 476,562
Canada	41%	45%
U.S.	36%	38%
Europe	17%	11%
Asia Pacific	6%	6%
Adjusted EBITDA	\$ 70,904	\$ 80,645
Adjusted EBITDA margin	13.9%	16.9%
Profit (loss)	\$ (18,439)	\$ 109,417
Earnings (loss) per share:		
Basic	\$(0.48)	\$2.88
Diluted	\$(0.48)	\$2.83
Adjusted	\$1.05	\$1.11
Dividends declared per share	\$0.60	\$0.60

⁽¹⁾ Restated for the impact of IFRS 15.

Financial Highlights

- Revenues** were \$510.4 million for the year ended December 31, 2018, up 7.1% or \$33.8 million from \$476.6 million in 2017. Acquisitions contributed 4.1% to revenues while organic growth contributed 3.0%. Exchange rate movements against the Canadian dollar impacted revenues by 0.3%. Revenue growth was led by Property Tax and Altus Analytics. Despite experiencing some deferral of revenues from two key markets, Ontario and the U.K., (due to a procedural change), Property Tax revenues grew 11.4%, benefitting from the acquisition of Commercial Valuers & Surveyors Limited ("CVS"), while Altus Analytics grew by 9.7%, boosted by strong growth in subscription revenues. Our Valuation and Cost Advisory businesses also showed positive growth, led by a strong performance from our Canadian Cost practice. Our Geomatics business continued to be negatively impacted by lower activity levels in the oil and gas sector.
- Adjusted EBITDA** was \$70.9 million for the year ended December 31, 2018, down 12.0% or \$9.7 million from \$80.6 million in 2017. Exchange rate movements against the Canadian dollar impacted Adjusted EBITDA by 0.1%. Earnings declined in the year as a result of product roadmap investments at Altus Analytics, and by our Property Tax business which was impacted by procedural changes in two of our largest jurisdictions, Ontario and the U.K., resulting in a high portion of anticipated contingency revenues to be deferred into future quarters.
- Profit (loss)** for the year ended December 31, 2018 was \$(18.4) million, down 116.8% or \$127.8 million from \$109.4 million in 2017. In addition to the impacts on Adjusted EBITDA as discussed above, profit (loss) was impacted by an impairment charge of \$13.7 million booked in Geomatics, in addition to higher amortization of intangibles from recent acquisitions, and offset by a decrease in income tax expense. Additionally, for the year ended December 31, 2017, there was a gain of \$115.2 million related to the partial deemed dispositions and re-measurement of our retained interest in Real Matters Inc. ("Real Matters") that did not reoccur in 2018.

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- For the year ended December 31, 2018, earnings (loss) per share was \$(0.48), basic and diluted, as compared to \$2.88, basic and \$2.83, diluted, in 2017. In 2017, we benefitted from a net gain of \$115.2 million on partial deemed dispositions and re-measurement of our retained interest in Real Matters that did not reoccur in 2018. As a result, our earnings (loss) per share, basic and diluted, declined as compared to 2017.
- For the year ended December 31, 2018, Adjusted EPS was \$1.05, down 5.4% from \$1.11 in 2017.
- We returned \$23.5 million to shareholders in the year through quarterly dividends of \$0.15 per common share, or \$0.60 per share for the year.
- As at December 31, 2018, our bank debt was \$129.2 million, representing a funded debt to EBITDA leverage ratio of 1.79 times (compared to 1.84 times as at December 31, 2017). As at December 31, 2018, cash on hand was \$48.7 million (compared to \$28.1 million as at December 31, 2017).

Operating Highlights

Acquisition of New Market Real Estate Group, LLC

On January 1, 2018, we acquired certain operating assets of New Market Real Estate Group, LLC ("New Market") for \$1.0 million in common shares. Based in Maryland and founded in 2001, New Market offers a full range of commercial real estate services throughout the United States including research, valuation, acquisition, investment analysis and consulting services. New Market was integrated into our Appraisal Management business, part of our Altus Analytics advisory practice.

Acquisition of Aspect Property Consultants LLP

On February 14, 2018, we acquired certain operating assets of Aspect Property Consultants LLP ("Aspect") for £4.3 million (CAD\$7.4 million) in cash, common shares and contingent consideration. As consideration for these assets, we paid cash of £1.8 million (CAD\$3.1 million) and common shares of £0.6 million (CAD\$1.1 million) and we estimated contingent consideration of £1.9 million (CAD\$3.3 million). The purchase agreement provides for maximum contingent consideration of £2.6 million, subject to certain performance targets being achieved over a two-year period from the closing date. With offices located in London, Heathrow and Basingstoke, U.K. and founded in 2009, Aspect is a commercial property consultancy firm specializing in the South East U.K. business space market with a particular focus on the West London warehouse market. This business was integrated into our U.K. Property Tax group.

Acquisition of Taliance Group SAS

On July 1, 2018, we acquired all the issued and outstanding shares of Taliance Group SAS and its subsidiaries ("Taliance") for €20.0 million (CAD\$30.7 million) in cash and common shares, subject to closing adjustments. On closing, €2.2 million (CAD\$3.3 million) of common shares were issued from treasury and the remainder of the purchase price was drawn from the revolving term facility.

Taliance provides cloud-based collaborative business solutions to alternative investment firms globally allowing them to improve their modelling, forecasting and risk management processes in real time. Based in Paris, Taliance also has offices in London and New York. The addition of Taliance, which can be deployed and integrated with ARGUS Enterprise, allows us to expand our position in Europe and to deliver cloud software solutions with a comprehensive investment management capability that provides flexibility

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and transparency to manage the most complex investment structures and scenarios. Taliance also provides a foundation for growth in the fund management segment of the market globally. Taliance is currently sold as a stand-alone offering, ARGUS Taliance, under our Altus Analytics banner.

Restructuring Activities

In Q1 of 2018, we undertook and completed restructuring activities in Geomatics to reduce costs. In connection with these restructuring activities, a total of \$2.9 million in restructuring costs was recorded in the year. These charges relate primarily to employee severance costs and onerous leases.

In Q2 of 2018, we initiated restructuring activities in our Property Tax practice as a result of our integration efforts in the U.K. following the acquisition of CVS. This was completed in Q4 of 2018. In connection with these restructuring activities, a total of \$3.6 million in restructuring costs was recorded in the year. These charges relate primarily to employee severance costs and onerous leases.

Sale of Investment in Real Matters

In September 2018, we sold our shares related to our investment in Real Matters for net proceeds of \$54.2 million. The loss included in other comprehensive income (loss) up to the date of disposition of \$70.8 million was transferred to retained earnings. In October 2018, the proceeds were used to reduce the borrowings under the bank credit facilities.

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Discussion of Operations

Year and Quarter Ended December 31, 2018

<i>In thousands of dollars, except for per share amounts</i>	Year ended December 31,		Quarter ended December 31,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues	\$ 510,429	\$ 476,562	\$ 130,885	\$ 122,317
Expenses				
Employee compensation	330,612	295,173	87,048	76,031
Occupancy	21,340	20,709	5,399	5,546
Office and other operating	98,037	87,443	26,903	22,609
Depreciation and amortization	49,114	36,444	11,254	10,957
Acquisition and related transition costs	2,394	3,319	137	2,149
Share of loss of associates	-	2,420	-	-
Restructuring costs	6,371	4,739	(87)	-
(Gain) loss on investments	(43)	(115,179)	38	-
Impairment charge	13,700	-	13,700	-
Finance costs, net	6,701	3,633	1,845	1,281
Profit (loss) before income taxes	(17,797)	137,861	(15,352)	3,744
Income tax expense (recovery)	642	28,444	(633)	7,132
Profit (loss) for the period	\$ (18,439)	\$ 109,417	\$ (14,719)	\$ (3,388)

⁽¹⁾ Restated for the impact of IFRS 15.

Revenues

Revenues were \$510.4 million for the year ended December 31, 2018, up 7.1% or \$33.8 million from \$476.6 million in 2017. For the year ended December 31, 2018, exchange rate movements against the Canadian dollar impacted revenues by 0.3%. Acquisitions contributed 4.1% and the remaining 3.0% was organic. The revenue growth was driven by steady performance from our Altus Analytics business and acquisitive growth from Property Tax. Revenues were \$130.9 million for the quarter ended December 31, 2018, up 7.0% or \$8.6 million from \$122.3 million in the same period in 2017. For the quarter ended December 31, 2018, exchange rate movements against the Canadian dollar impacted revenues by 1.4%. Acquisitions contributed 2.1% and the remaining 4.9% was organic. The revenue growth was driven by steady performance from our Altus Analytics business.

Employee Compensation

Employee compensation was \$330.6 million for the year ended December 31, 2018, up 12.0% or \$35.4 million from \$295.2 million in 2017. For the quarter ended December 31, 2018, employee compensation was \$87.0 million, up 14.5% or \$11.0 million from \$76.0 million in the same period in 2017. For the year and quarter ended December 31, 2018, the increase in compensation was mainly due to acquisitions and headcount additions mostly to support product development within Altus Analytics. As a partial offset to the increases, there were lower accruals of variable compensation and a decline in employee compensation at Geomatics, due to reduced activity levels and restructuring. For the year and quarter ended December 31, 2018, employee compensation as a percentage of revenues was 64.8% and 66.5%, as compared to 61.9% and 62.2% in the corresponding periods in 2017, respectively.

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Occupancy

Occupancy was \$21.3 million for the year ended December 31, 2018, up 2.9% or \$0.6 million from \$20.7 million in 2017. For the quarter ended December 31, 2018, occupancy was \$5.4 million, down 1.8% or \$0.1 million from \$5.5 million in the same period in 2017. For the year and quarter ended December 31, 2018, occupancy costs increased as a result of the CVS and Taliance acquisitions. For the year and quarter ended December 31, 2018, occupancy as a percentage of revenues was 4.2% and 4.1%, as compared to 4.3% and 4.5% in the corresponding periods in 2017, respectively.

Office and Other Operating Costs

Office and other operating costs were \$98.0 million for the year ended December 31, 2018, up 12.1% or \$10.6 million from \$87.4 million in 2017. For the quarter ended December 31, 2018, office and other operating costs were \$26.9 million, up 19.0% or \$4.3 million from \$22.6 million in the same period in 2017. For the year and quarter ended December 31, 2018, the increase was from acquisitions and technology-related spend. For the year and quarter ended December 31, 2018, office and other operating costs as a percentage of revenues was 19.2% and 20.6%, as compared to 18.3% and 18.5% in the corresponding periods in 2017, respectively.

Depreciation and Amortization

Depreciation and amortization was \$49.1 million for the year ended December 31, 2018, as compared to \$36.4 million in 2017. For the quarter ended December 31, 2018, depreciation and amortization was \$11.3 million, as compared to \$11.0 million in the same period in 2017. For the year and quarter ended December 31, 2018, the increase in depreciation and amortization was due to amortization of intangibles acquired on recent acquisitions.

Acquisition and Related Transition Costs

Acquisition and related transition costs was \$2.4 million for the year ended December 31, 2018, as compared to \$3.3 million in 2017. For the quarter ended December 31, 2018, acquisition and related transition costs were \$0.1 million, as compared to \$2.1 million in the same period in 2017. For the year and quarter ended December 31, 2018, expenses were primarily related to the acquisition of CVS and Taliance.

Share of Loss of Associates and (Gain) Loss on Investments

Share of loss of associates was \$nil for the year ended December 31, 2018, as compared to \$2.4 million in 2017. For the quarter ended December 31, 2018, share of loss of associates was \$nil, in line with the same period in 2017. In 2017, the amount represents our proportionate share in the loss as well as an amortization charge on acquired intangibles for Real Matters; however, it is not applicable after its initial public offering in Q2 of 2017. Gain on investments was \$nil for the year ended December 31, 2018, as compared to \$115.2 million in 2017. For the quarter ended December 31, 2018, loss on investments was \$nil, in line with the same period in 2017. In 2017, the amount represents the gain on partial deemed dispositions and re-measurement of our retained interest in Real Matters, as compared to revaluations of our investments in partnerships in 2018.

Restructuring Costs

In Q1 of 2018, we undertook and completed restructuring activities in Geomatics to reduce costs. In connection with these restructuring activities, a total of \$2.9 million in restructuring costs were recorded in the year ended December 31, 2018. These charges relate primarily to employee severance costs and onerous leases.

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In Q2 of 2018, we initiated restructuring activities in our Property Tax practice as a result of our integration efforts in the U.K. following the acquisition of CVS. This was completed in Q4 of 2018. In connection with these restructuring activities, a total of \$3.6 million in restructuring costs was recorded in the year. These charges relate primarily to employee severance costs and onerous leases.

In addition, in Q1 of 2018, restructuring provisions made in prior years in the amount of \$0.2 million were released and credited to profit (loss).

Impairment of Geomatics

Impairment charge was \$13.7 million for the year ended December 31, 2018, as compared to \$nil in 2017. On December 2, 2018, the Government of Alberta announced that it is mandating a short-term reduction in oil production in order to draw down the significant storage of raw crude and bitumen. Due to this announcement, the market conditions worsened in Western Canada for Geomatics services, given the impact of oil prices on drilling and pipeline activities. As a result, in the quarter ended December 31, 2018, we recorded a goodwill impairment charge of \$13.7 million (2017 - \$nil) reflecting the worsening market conditions.

Finance Costs, Net

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Interest on borrowings	\$ 6,048	\$ 4,912	23.1%	\$ 1,358	\$ 1,332	2.0%
Unwinding of discounts	684	177	286.4%	177	104	70.2%
Change in fair value of amounts payable to U.K. unitholders, net of change in fair value of related equity derivatives	-	32	(100.0%)	-	-	-
Change in fair value of interest rate swaps (not designated as cash flow hedges)	218	(1,362)	(116.0%)	367	(145)	(353.1%)
Finance income	(249)	(126)	97.6%	(57)	(10)	470.0%
Finance costs, net	\$ 6,701	\$ 3,633	84.4%	\$ 1,845	\$ 1,281	44.0%

Finance costs, net for the year ended December 31, 2018 was \$6.7 million, up 84.4% or \$3.1 million from \$3.6 million in 2017. Our finance costs increased due to higher borrowings for acquisitions and an adverse change in the fair value of interest rate swaps compared to the same period in 2017.

For the quarter ended December 31, 2018, finance costs, net was \$1.8 million, up 44.0% or \$0.5 million from \$1.3 million in the same period in 2017. Our finance costs increased due to higher borrowings for acquisitions and an adverse change in the fair value of interest rate swaps compared to the same period in 2017.

Income Tax Expense

Income tax expense for the year ended December 31, 2018 was \$0.6 million, as compared to \$28.4 million in 2017. A significant amount of our earnings is derived outside of Canada and as a result a change in the mix of earnings and losses in countries with differing statutory tax rates have impacted our effective tax rates for the year ended December 31, 2018.

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For the quarter ended December 31, 2018, income tax expense (recovery) was \$(0.6) million, as compared to \$7.1 million in the same period in 2017. A significant amount of our earnings is derived outside of Canada and as a result a change in the mix of earnings and losses in countries with differing statutory tax rates have impacted our effective tax rates for the quarter ended December 31, 2018.

Profit (Loss)

Profit (loss) for the year ended December 31, 2018 was \$(18.4) million and \$(0.48) per share, basic and diluted, as compared to \$109.4 million and \$2.88 per share, basic and \$2.83 per share, diluted, in 2017.

For the quarter ended December 31, 2018, loss was \$14.7 million and \$(0.38) per share, basic and diluted, as compared to \$3.4 million and \$(0.09) per share, basic and diluted, in the same period in 2017.

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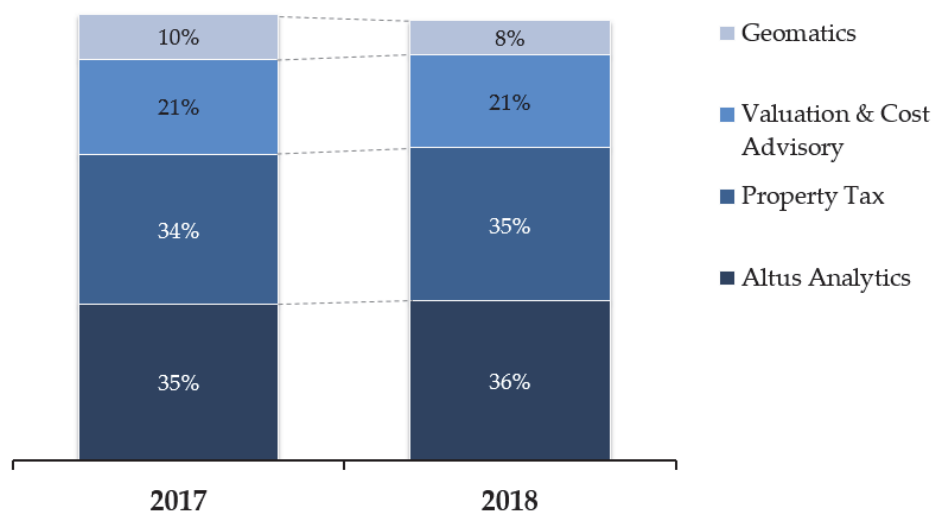
Revenues and Adjusted EBITDA by Business Unit

Revenues <i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Altus Analytics	\$ 183,428	\$ 167,660	9.4%	\$ 51,826	\$ 41,482	24.9%
Expert Services:						
Commercial Real Estate Consulting	283,948	261,207	8.7%	67,692	69,405	(2.5%)
Geomatics	43,632	48,536	(10.1%)	11,481	11,589	(0.9%)
Intercompany eliminations	(579)	(841)	31.2%	(114)	(159)	28.3%
Total	\$ 510,429	\$ 476,562	7.1%	\$ 130,885	\$ 122,317	7.0%

Adjusted EBITDA <i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Altus Analytics	\$ 41,478	\$ 46,837	(11.4%)	\$ 10,276	\$ 6,747	52.3%
Expert Services:						
Commercial Real Estate Consulting	48,820	52,385	(6.8%)	2,837	7,858	(63.9%)
Geomatics	3,598	3,493	3.0%	877	32	2,640.6%
Corporate	(22,992)	(22,070)	4.2%	1,131	5,312	78.7%
Total	\$ 70,904	\$ 80,645	(12.1%)	\$ 15,121	\$ 19,949	(24.2%)

⁽¹⁾ Restated for the impact of IFRS 15.

Revenue Contribution ⁽¹⁾:



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Altus Analytics

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues	\$ 183,428	\$ 167,660	9.4%	\$ 51,826	\$ 41,482	24.9%
Adjusted EBITDA ⁽²⁾	\$ 41,478	\$ 46,837	(11.4%)	\$ 10,276	\$ 6,747	52.3%
Adjusted EBITDA Margin ⁽²⁾	22.6%	27.9%		19.8%	16.3%	

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

Year End Discussion

Revenues were \$183.4 million for the year ended December 31, 2018, up 9.4% or \$15.7 million from \$167.7 million in 2017. Revenues improved on higher software contract sales (including subscription and renewals), maintenance, appraisal management and software services, offset by lower due diligence assignments. The acquisition of Taliance added 1.5% to revenues. Foreign exchange differences had a negligible impact to revenue growth.

In 2018, we saw significant sales of AE come from add-on sales to existing customers, followed by sales to net new customers and from residual conversions of our legacy ValCap customer base in the U.K. For the year, we also saw a change in the mix of our software revenues from increasing subscription contracts compared to perpetual licenses. The increase in subscription revenues came from both on-premise AE subscription contracts and from AOD sales. In Q2 2018 we benefitted from a new significant multi-year subscription contract, followed by a large, multi-year subscription renewal in Q4 2018. These contracts were deemed "right of use" under IFRS 15, and as a result, a portion of those revenues were recognized upfront at the time of delivery of the license rather than ratably over the term of the subscription contract. The structure of both of these contracts provides us with an opportunity to upsell future products.

In 2018, our Appraisal Management offering also delivered strong year-over-year growth both in existing customer growth and new customer wins, as well as from higher revenues from international markets.

Recurring revenues, as described above in the Overview of the Business, were \$130.1 million for the year ended December 31, 2018, up 10.3% or \$12.1 million from \$118.0 million in 2017.

Adjusted EBITDA was \$41.5 million for the year ended December 31, 2018, down 11.4% or \$5.3 million from \$46.8 million in 2017. Changes in foreign exchange impacted Adjusted EBITDA by (0.7%). Adjusted EBITDA decreased primarily as a result of higher expenses related to investments in ARGUS product development activities (such as cloud functionality), higher marketing spend and increased sales capacity to expand our efforts in enterprise selling and expansion into Europe and Asia. Earnings were also impacted by the acquisition of Taliance.

Quarterly Discussion

Revenues were \$51.8 million for the quarter ended December 31, 2018, up 24.9% or \$10.3 million from \$41.5 million in the same period in 2017. Revenues improved on higher software contract sales (including subscription and renewals), maintenance, appraisal management and software services, offset by lower due diligence assignments. The acquisition of Taliance added 2.9% to revenues. A notable contributor to growth in the fourth quarter was a significant multi-year subscription contract renewal. This contract was

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deemed “right of use” under IFRS 15, and as a result, a portion of its revenues were recognized upfront at the time of delivery of the license rather than ratably over the term of the subscription contract.

Recurring revenues, as described above in the Overview of the Business, were \$34.4 million for the quarter ended December 31, 2018, up 15.1% or \$4.5 million from \$29.9 million in the same period in 2017. Movements in the exchange rate against the Canadian dollar impacted revenues by 3.1%.

Adjusted EBITDA was \$10.3 million for the quarter ended December 31, 2018, up 52.3% or \$3.6 million from \$6.7 million in the same period in 2017. Changes in foreign exchange impacted Adjusted EBITDA by 6.6%. Adjusted EBITDA increased on higher revenues in the quarter, specifically benefitting from the accounting impact from the significant contract renewal as discussed above.

Outlook

Our Altus Analytics business continues to represent an attractive growth area for our company supported by favourable market trends of growing global demand for CRE-related technology and data solutions.

In 2019, we expect our ARGUS software revenues to be driven by global deployment of AE across our clients' organizations, expanding AE into new markets with a specific focus on strengthening our presence in Germany, France and Asia, continued add-on sales (up-selling and cross-selling targeting more users and added functionality), and increasing sales from other ARGUS branded products. We will continue to pursue multi-product enterprise deals to serve the end-to-end needs of large global clients, although these types of contracts have longer sales cycles. We remain focused on increasing our sales focus on enterprise selling, targeting large global transactions and increased subscription contracts. Our product roadmap will continue to prioritize integration across all of our capabilities, cloud functionality, and standard software upgrades to our existing solutions, including upgrading AE with enhanced local functionality for Germany and France.

We expect that growth from our Appraisal Management offering will be driven by current customers adding more assets on our platform and from new clients, in the U.S. and in international markets. We continue to have opportunity for organic growth in the U.S. by expanding our penetration with closed end funds and pension funds, and with expanding our work with our global clients abroad, namely in Europe and Asia Pacific.

For the first quarter of 2019, we expect percentage year-over-year revenue growth to be in the mid-teens.

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Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues						
Property Tax	\$ 176,734	\$ 158,696	11.4%	\$ 39,110	\$ 41,972	(6.8%)
Valuation and Cost Advisory	107,214	102,511	4.6%	28,582	27,433	4.2%
Revenues	\$ 283,948	\$ 261,207	8.7%	\$ 67,692	\$ 69,405	(2.5%)
Adjusted EBITDA						
Property Tax	\$ 36,029	\$ 40,346	(10.7%)	\$ 324	\$ 5,064	(93.6%)
Valuation and Cost Advisory	12,791	12,039	6.2%	2,513	2,794	(10.1%)
Adjusted EBITDA ⁽²⁾	\$ 48,820	\$ 52,385	(6.8%)	\$ 2,837	\$ 7,858	(63.9%)
Adjusted EBITDA Margin ⁽²⁾	17.2%	20.1%		4.2%	11.3%	

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

Year End Discussion

Revenues were \$283.9 million for the year ended December 31, 2018, up 8.7% or \$22.7 million from \$261.2 million in 2017. Property Tax revenues increased by 11.4%, primarily as a result of acquisitive growth in the U.K., which contributed 1.4% to growth. Overall, although we had organic revenue growth from our various jurisdictions (notably Western Canada in the first half of the year), annual revenues were impacted by procedural changes in Ontario and the U.K., resulting in a significant deferral of anticipated contingency revenues into 2019. Exchange rate fluctuations impacted Property Tax revenues by 0.9%. Our Valuation and Cost Advisory revenues increased by 4.6% driven by strong performance from our Canadian Cost practice. Changes in exchange rates impacted CRE Consulting revenues by 0.3%.

Adjusted EBITDA was \$48.8 million for the year ended December 31, 2018, down 6.8% or \$3.6 million from \$52.4 million in 2017. The decline in earnings resulted primarily from lower earnings from our Property Tax practice, as contingency revenues have a direct impact on earnings, partly offset by the growth in earnings we experienced in our Valuation and Cost Advisory practices. Changes in exchange rates impacted CRE Consulting Adjusted EBITDA by 0.8%.

Quarterly Discussion

Revenues were \$67.7 million for the quarter ended December 31, 2018, down 2.5% or \$1.7 million from \$69.4 million in the same period in 2017. Our Property Tax revenues declined during the fourth quarter as performance continued to be impacted by the process changes in Ontario and the U.K., resulting in a deferral of anticipated contingency revenues into 2019. Although we experienced higher settlement revenues in the fourth quarter than we did in the third, settlement activity levels continued to be below prior year. Our Valuation and Cost Advisory revenues increased by 4.2%, primarily due to strong performance from our Canadian Valuation Advisory practice. Changes in exchange rates impacted CRE Consulting revenues by 0.7%.

Adjusted EBITDA was \$2.8 million for the quarter ended December 31, 2018, down 63.9% or \$5.1 million from \$7.9 million in the same period in 2017, resulting from a decrease in revenues from our Property Tax

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business as contingency revenues have a direct impact on earnings. Changes in exchange rates impacted CRE Consulting Adjusted EBITDA by 1.2%.

Outlook

Our Property Tax business continues to represent an attractive growth area for our company driven by a steady demand for our specialized services. In 2019, we expect to benefit from a rebound of activity in two key markets, Ontario and the U.K., both of which are in year three of their respective four-year cycles that began in 2017. Both of these markets have been impacted by government-driven process changes that caused a deferral of appeal settlements, where a high portion of revenues are derived on a contingency basis.

We continue to expect 2019 to be a record revenue year for our Property Tax practice. Although we expect lower revenues in the first quarter than the prior year, we expect revenues to increase beginning in the second quarter, in part impacted by some seasonality trends in the U.K. On a comparative basis, the first quarter of 2018 benefitted from strong performance in Western Canada and a spill-over of case settlements from the previous cycles in both Ontario and the U.K. Given the nature of this business (as discussed in more detail in the cyclical and seasonal trends), we expect to experience typical quarterly variability in our financial performance.

Our Valuation and Cost Advisory practices enjoy significant market share and as a result, are expected to continue growing modestly. Growth is expected to be driven by operating leverage, enhanced efficiency and productivity from technology, and improved cross-selling across the organization.

Geomatics

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues	\$ 43,632	\$ 48,536	(10.1%)	\$ 11,481	\$ 11,589	(0.9%)
Adjusted EBITDA ⁽²⁾	\$ 3,598	\$ 3,493	3.0%	\$ 877	\$ 32	2,640.6%
Adjusted EBITDA Margin ⁽²⁾	8.2%	7.2%		7.6%	0.3%	

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

Year End Discussion

Revenues were \$43.6 million for the year ended December 31, 2018, down 10.1% or \$4.9 million from \$48.5 million in 2017. We experienced lower revenues as activity levels remain depressed in oil drilling and gas exploration.

Adjusted EBITDA was \$3.6 million for the year ended December 31, 2018, up 3.0% or \$0.1 million from \$3.5 million 2017. Earnings increased marginally over prior year as we adjusted our operating capacity to current market conditions.

Quarterly Discussion

Revenues were \$11.5 million for the quarter ended December 31, 2018, down 0.9% or \$0.1 million from \$11.6 million in the same period in 2017. Revenues were comparable to prior year.

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Adjusted EBITDA was \$0.9 million for the quarter ended December 31, 2018, up 2,640.6% or \$0.9 million from \$0.03 million in the same period in 2017. Earnings improved significantly on comparable revenues, and improved operating costs more aligned to current market conditions.

In addition, excluded from Adjusted EBITDA is a Geomatics goodwill impairment charge of \$13.7 million reflecting the challenging environment.

Outlook

Our Geomatics business continues to be impacted by the market downturn in the oil and gas industry. Given our strong revenue exposure to the oil and gas industry in Western Canada, we continue to be impacted by reduced capital spending in this sector and ongoing pricing pressures. Following various cost cutting and optimization initiatives undertaken in 2018, we expect Geomatics to remain profitable in 2019.

Corporate Costs

Year End Discussion

Corporate costs (recovery) were \$23.0 million for the year ended December 31, 2018, as compared to \$22.1 million in 2017. Corporate costs increased primarily on higher technology-related spend. For the year ended December 31, 2018, corporate costs as a percentage of revenues was 4.5%, as compared to 4.6% in 2017.

Quarterly Discussion

Corporate costs (recovery) were \$1.1 million for the quarter ended December 31, 2018, as compared to \$5.3 million in the same period in 2017. In the first three quarters of the year, bonuses were accrued in the Corporate segment, subject to the overall finalization of bonuses at year-end. In the fourth quarter, bonuses were allocated to the business units which led to the recovery. For the quarter ended December 31, 2018, corporate costs as a percentage of revenues was 0.8%, as compared to 4.3% in the same period in 2017.

Liquidity and Capital Resources

Cash Flow	Year ended December 31,	
	2018	2017 ⁽¹⁾
<i>In thousands of dollars</i>		
Net cash related to operating activities	\$ 49,491	\$ 57,842
Net cash related to financing activities	(42,971)	9,713
Net cash related to investing activities	10,976	(81,589)
Effect of foreign currency translation	3,172	(1,569)
Change in cash position during the year	\$ 20,668	\$ (15,603)
Dividends paid	\$ 18,798	\$ 21,806

⁽¹⁾ Restated for the impact of IFRS 15.

We expect to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Significant erosion in the general state of the economy could affect our liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

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Cash from Operating Activities

Working Capital			
<i>In thousands of dollars</i>	December 31, 2018		December 31, 2017 ⁽¹⁾
Current assets	\$	209,535	\$ 178,438
Current liabilities		125,180	105,920
Working capital	\$	84,355	\$ 72,518

⁽¹⁾ Restated for the impact of IFRS 15.

Current assets are composed primarily of cash and cash equivalents, trade receivables and other and income taxes recoverable. Current liabilities are composed primarily of trade payables and other, income taxes payable and borrowings.

As at December 31, 2018, trade receivables, net and unbilled revenue on customer contracts net of deferred revenue was \$105.9 million, up 3.9% or \$3.9 million from \$102.0 million as at December 31, 2017. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue, was 20.6% as at December 31, 2018, in line with December 31, 2017 (restated for the impact of IFRS 15).

Our Days Sales Outstanding ("DSO") was 74 days as at December 31, 2018, as compared to 73 days as at December 31, 2017 (restated for the impact of IFRS 15). We calculate DSO by taking the five-quarter average balance of trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and the result is then divided by the trailing 12-month revenues plus any pre-acquisition revenues, as applicable, and multiplied by 365 days. Our method of calculating DSO may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures used by other issuers. We believe this measure is useful to investors as it demonstrates our ability to convert trade receivables and unbilled revenue into cash.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at December 31, 2018, the amounts owing to the vendors of acquired businesses were \$14.2 million, as compared to \$12.5 million as at December 31, 2017. We intend to satisfy the payments with the revolving term facility (as described below) or cash on hand.

We are able to satisfy the balance of our current liabilities through the realization of our current assets.

Cash from Financing Activities

Our revolving term facility is a senior secured revolving term facility used for general corporate purposes that will mature on April 28, 2020. In June 2018, we increased our borrowing capacity under the revolving term facility from \$200.0 million to \$220.0 million in accordance with certain provisions of the agreement. The borrowing capacity can be further increased to \$250.0 million. All other terms of the bank credit facilities remain the same.

As at December 31, 2018, our total borrowings on our revolving term facility amounted to \$129.2 million, a decrease of \$21.2 million from December 31, 2017.

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We also have outstanding letters of credit under our bank credit facilities in the total amount of \$0.8 million (December 31, 2017 - \$0.6 million).

The cost of our bank credit facilities is tied to the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates. As at December 31, 2018, \$65.0 million was subject to interest rate swap agreements to fix the interest rate. We are obligated to pay the counterparty to the swap agreements an amount based upon a fixed interest rate of 1.48% per annum and the counterparty is obligated to pay us an amount equal to the Canadian Bankers' Acceptance rate. These agreements expire on May 15, 2020. These interest rate swaps are not designated as cash flow hedges. The effective annual rate of interest for the year ended December 31, 2018 on our bank credit facilities was 3.48%, as compared to 3.03% in 2017.

As at December 31, 2018, we were in compliance with the financial covenants of our bank credit facilities, which are summarized below:

	December 31, 2018
Funded debt to EBITDA (maximum of 3.00:1)	1.79:1
Fixed charge coverage (minimum of 1.20:1)	4.92:1
Funded debt to capitalization (maximum of 55%)	24%

Other than long-term debt and letters of credit, we are subject to other contractual obligations such as operating leases, finance leases and amounts owing to the vendors of acquired businesses as discussed above.

Contractual Obligations ⁽¹⁾	Payments Due by Period (undiscounted)				
	Total	Less than			
<i>In thousands of dollars</i>		1 year	1 to 3 years	4 to 5 years	Over 5 years
Bank credit facilities	\$ 129,178	\$ 578	\$ 128,600	\$ -	\$ -
Leasehold improvement loans	513	94	148	148	123
Operating lease obligations	101,216	18,808	29,962	24,002	28,444
Finance lease obligations	279	202	69	8	-
Contingent consideration payables	14,754	11,509	3,245	-	-
Other liabilities	84,957	76,088	4,152	912	3,805
Total contractual obligations	\$ 330,897	\$ 107,279	\$ 166,176	\$ 25,070	\$ 32,372

⁽¹⁾ Contractual obligations exclude aggregate unfunded capital contributions of \$1.2 million to certain partnerships as the amount and timing of such payments are uncertain.

Cash from Investing Activities

We invest in property, plant and equipment and intangible assets to support the activities of the business. Capital expenditures for accounting purposes include property, plant and equipment in substance and in form, including assets under finance leases and intangible assets.

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Capital expenditures are reconciled as follows:

Capital Expenditures	Year ended December 31,	
<i>In thousands of dollars</i>	2018	2017
Property, plant and equipment additions	\$ 11,545	\$ 11,789
Intangibles additions	826	624
Proceeds from disposal of property, plant and equipment and intangibles	(271)	(449)
Capital expenditures	\$ 12,100	\$ 11,964

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Reconciliation of Adjusted EBITDA to Profit (Loss)

The following table provides a reconciliation between Adjusted EBITDA and profit (loss):

<i>In thousands of dollars</i>	Year ended December 31,		Quarter ended December 31,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Adjusted EBITDA	\$ 70,904	\$ 80,645	\$ 15,121	\$ 19,949
Depreciation and amortization	(49,114)	(36,444)	(11,254)	(10,957)
Acquisition and related transition costs	(2,394)	(3,319)	(137)	(2,149)
Share of loss of associates	-	(2,420)	-	-
Unrealized foreign exchange gain (loss) ⁽²⁾	981	(849)	405	(40)
Loss on disposal of property, plant and equipment ⁽²⁾	(1,617)	(862)	(473)	(235)
Non-cash Executive Compensation Plan costs ⁽³⁾	(5,867)	(4,638)	(1,560)	(1,181)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽³⁾	(1,276)	41	(300)	306
Gain (loss) on derivatives ⁽²⁾	268	(21)	-	(21)
Restructuring costs	(6,371)	(4,739)	87	-
Gain (loss) on investments ⁽⁴⁾	43	115,179	(38)	-
Impairment of Geomatics	(13,700)	-	(13,700)	-
Other non-operating and/or non-recurring costs ⁽⁵⁾	(2,953)	(1,079)	(1,658)	(647)
Finance costs, net	(6,701)	(3,633)	(1,845)	(1,281)
Profit (loss) before income taxes	(17,797)	137,861	(15,352)	3,744
Income tax expense	(642)	(28,444)	633	(7,132)
Profit (loss) for the period	\$ (18,439)	\$ 109,417	\$ (14,719)	\$ (3,388)

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Included in office and other operating expenses in the consolidated statements of comprehensive income (loss).

⁽³⁾ Included in employee compensation expenses in the consolidated statements of comprehensive income (loss).

⁽⁴⁾ Gain (loss) on investments for the year ended December 31, 2018 relate to changes in fair value of investments in partnerships. Gain (loss) on investments for the year ended December 31, 2017 relate to the partial deemed dispositions of our investment in Real Matters and re-measurement of our retained interest.

⁽⁵⁾ Other non-operating and/or non-recurring costs for the year ended December 31, 2018 relate to (i) non-recurring legal matters and related costs, (ii) transactional costs for tax planning and restructuring of legal entities within the group and (iii) costs related to the departures of certain senior executives. Other non-operating and/or non-recurring costs for the year ended December 31, 2017 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the consolidated statements of comprehensive income (loss).

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Adjusted Earnings (Loss) Per Share

<i>In thousands of dollars, except for per share amounts</i>	Year ended December 31,		Quarter ended December 31,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Profit (loss) for the period	\$ (18,439)	\$ 109,417	\$ (14,719)	\$ (3,388)
Amortization of intangibles of acquired businesses	38,816	26,463	8,547	8,195
Non-cash finance costs (income) related to amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives	-	32	-	-
Share of loss of associates	-	2,420	-	-
Unrealized foreign exchange loss (gain)	(981)	849	(405)	40
Loss on disposal of property, plant and equipment	1,617	862	473	235
Non-cash Executive Compensation Plan costs	5,867	4,638	1,560	1,181
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	1,276	(41)	300	(306)
Interest accretion on contingent consideration payables	648	168	155	102
Restructuring costs	6,371	4,739	(87)	-
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps not designated as cash flow hedges	(50)	(1,362)	367	(145)
Acquisition and related transition costs	2,394	3,319	137	2,149
Loss (gain) on investments	(43)	(115,179)	38	-
Impairment of Geomatics	13,700	-	13,700	-
Other non-operating and/or non-recurring costs	2,953	1,079	1,658	647
Tax impact on above	(13,260)	5,235	(3,871)	(2,874)
Adjusted earnings for the period	\$ 40,869	\$ 42,639	\$ 7,853	\$ 5,836
Weighted average number of shares - basic	38,763,613	38,027,573	38,968,108	38,388,937
Weighted average number of restricted shares	310,751	346,252	298,926	339,058
Weighted average number of shares - adjusted	39,074,364	38,373,825	39,267,034	38,727,995
Adjusted earnings (loss) per share	\$1.05	\$1.11	\$0.20	\$0.15

⁽¹⁾ Restated for the impact of IFRS 15.

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Summary of Quarterly Results

In thousands of dollars, except for per share amounts	2018					2017				
	Fiscal 2018	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2017 ⁽¹⁾	Dec 31 ⁽¹⁾	Sep 30 ⁽¹⁾	Jun 30 ⁽¹⁾	Mar 31 ⁽¹⁾
Results of Operations										
Revenues	\$ 510,429	\$ 130,885	\$ 120,636	\$ 134,218	\$ 124,690	\$ 476,562	\$ 122,317	\$ 117,072	\$ 127,880	\$ 109,293
Adjusted EBITDA	\$ 70,904	\$ 15,121	\$ 16,504	\$ 23,771	\$ 15,508	\$ 80,645	\$ 19,949	\$ 23,310	\$ 24,017	\$ 13,369
Adjusted EBITDA margin	13.9%	11.6%	13.7%	17.7%	12.4%	16.9%	16.3%	19.9%	18.8%	12.2%
Profit (loss) for the period	\$ (18,439)	\$ (14,719)	\$ (1,723)	\$ 330	\$ (2,327)	\$ 109,417	\$ (3,388)	\$ 7,327	\$ 104,927	\$ 551
Earnings (loss) per share:										
Basic	\$(0.48)	\$(0.38)	\$(0.04)	\$0.01	\$(0.06)	\$2.88	\$(0.09)	\$0.19	\$2.75	\$0.01
Diluted	\$(0.48)	\$(0.38)	\$(0.04)	\$0.01	\$(0.06)	\$2.83	\$(0.09)	\$0.19	\$2.72	\$0.01
Adjusted	\$1.05	\$0.20	\$0.22	\$0.40	\$0.23	\$1.11	\$0.15	\$0.34	\$0.40	\$0.22
Weighted average number shares (‘000s):										
Basic	38,764	38,968	38,879	38,700	38,500	38,028	38,389	38,324	38,108	37,273
Diluted	38,764	38,968	38,879	39,085	38,500	38,374	38,728	38,872	38,591	37,755

⁽¹⁾ Restated for the impact of IFRS 15.

Certain segments of our operations are subject to seasonal and cyclical variations which may impact overall quarterly results. For instance:

- Our Altus Analytics business (which makes up approximately 36% of total consolidated revenues) experiences some seasonality. ARGUS software products sold as perpetual licenses tend to have a stronger fourth quarter in revenues, a trend that is common in many other software companies. Also, Appraisal Management could experience some seasonal patterns around the second and fourth quarters, associated with some clients' practices of bi-annual and annual appraisals. It should also be noted that our Altus Analytics revenues may exhibit revenue variability as a result of our revenue recognition under IFRS 15. Under IFRS 15 accounting, for on-premise ARGUS software solutions that are sold on a subscription basis in a right to use license arrangement, a portion of the revenues will be recognized at the time of delivery of the distinct license rather than ratably over the term of the subscription. This is expected to result in more variability in revenues based on the timing of contracts. Certain arrangements are for a right to access and revenues will continue to be recognized ratably over the term of the subscription. Revenue recognition may vary based on contract specific terms.
- Our global Property Tax practice (which makes up approximately 35% of total consolidated revenues) can experience significant fluctuations on a quarterly basis as a result of the timing of contingency settlements and other factors such as the wide-ranging variety of tax cycles across our various jurisdictions (which range from annual to seven year cycles). We also experience some seasonal peaks in the U.K. and U.S. markets, where the second quarter benefits from annuity billing from the U.K. practice (starting the second year of a new cycle), and in the U.S. we tend to experience higher volumes of settlements related to specific deadlines for our personal property revenue stream. It should also be noted that since a higher portion of our revenues come from contingency contracts, the front-end of a cycle typically requires a ramp-up period in preparation for the appeals and therefore tends to have lower earnings than later in the cycles when more settlements are made and those revenues flow directly to the bottom line.

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- Our Cost Advisory practice (which makes up approximately 10% of total consolidated revenues) experiences some cyclicity associated with their significant exposure to the CRE construction and development activities in the key markets that we serve. For instance, revenues will generally be higher in periods of economic prosperity and expansion in our key markets in Canada and Asia Pacific.
- Our Geomatics business (which makes up less than 10% of total consolidated revenues) engages in projects that tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods. Also, given Geomatics' significant client exposure to the oil and gas sector, revenues will be impacted by cyclical trends related to that sector, specifically driven by capital spending.

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Selected Annual Information

Selected Financial Information	For the year ended December 31,		
<i>In thousands of dollars, except for per share amounts</i>	2018	2017 ⁽¹⁾	2016 ⁽²⁾
Operations			
Revenues	\$ 510,429	\$ 476,562	\$ 442,891
Adjusted EBITDA	\$ 70,904	\$ 80,645	\$ 74,088
Adjusted EBITDA margin	13.9%	16.9%	16.7%
Profit (loss)	\$ (18,439)	\$ 109,417	\$ 14,268
Earnings (loss) per share:			
Basic	\$(0.48)	\$2.88	\$0.39
Diluted	\$(0.48)	\$2.83	\$0.38
Adjusted	\$1.05	\$1.11	\$1.15
Dividends declared per share	\$0.60	\$0.60	\$0.60

Balance Sheet	At December 31,		
	2018	2017 ⁽¹⁾	2016 ⁽²⁾
Total assets	\$ 658,182	\$ 726,115	\$ 590,851
Long-term liabilities (excluding deferred income taxes)	158,334	180,557	136,360

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Reported financial information has not been restated for the impact of IFRS 15, *Revenue from Contracts with Customers*. Refer to Note 4 - Adoption of Recent Accounting Pronouncements to the financial statements for further discussion.

Revenues were \$510.4 million for the year ended December 31, 2018, up 7.1% from 2017, of which approximately 2.1% was from acquisitions. Adjusted EBITDA was \$70.9 million for the year, a margin of 13.9%, down 12.1% from 2017, and loss for the year was \$18.4 million.

Revenues were \$476.6 million for the year ended December 31, 2017, up 7.6% from 2016, of which approximately 1.8% was from acquisitions. Adjusted EBITDA was \$80.6 million for the year, a margin of 16.9%, up 8.9% from 2016, and profit for the year was \$109.4 million.

Revenues were \$442.9 million for the year ended December 31, 2016, up 6.4% from 2015, of which approximately 1.7% was from acquisitions. Adjusted EBITDA was \$74.1 million for the year, a margin of 16.7%, up 16.9% from 2015, and profit for the year was \$14.3 million.

In each of the past three years we have declared and paid quarterly dividends totaling \$0.60 annually, per common share to the shareholders.

Selected Highlights for 2017

Altus Analytics New Product Launches and Upgrades

In the first quarter of 2017, we launched ARGUS Enterprise 11.6 ("AE 11.6"), an upgraded version of our industry-leading CRE and investment management platform. Enhancements in AE 11.6 included improved user experience (simplified for key transaction and valuation roles), advanced user productivity features, and more powerful reporting capabilities.

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In the second quarter of 2017, we launched ARGUS Developer 7.7, an upgraded version of our industry leading software that models, forecasts, manages, analyzes and reports on development project costs and cash flows. Enhancements included increased language functionality through the addition of German and Spanish languages, as well as other user improvements.

Acquisition of Axiom Cost Consulting Inc.

On February 1, 2017, we acquired all the issued and outstanding shares of Axiom Cost Consulting Inc. ("Axiom") for \$0.9 million in cash and common shares, subject to working capital adjustments. With operations in Calgary, Edmonton and Vancouver, Axiom specializes in cost management and loan monitoring. Axiom was integrated with our Cost Consulting practice under our Valuation and Cost Advisory segment.

Acquisition of EstateMaster Group Holdings Pty Limited

On March 1, 2017, we acquired all the issued and outstanding shares of EstateMaster and its subsidiaries for \$20.1 million in cash and common shares, subject to working capital adjustments. EstateMaster is an Australian-based property development feasibility and management software provider. With a leading market position in Australia and the Middle East, the EstateMaster Development Feasibility software is the accepted market standard for the production of feasibility reports in the Australian property markets. The acquisition of EstateMaster broadens our product offerings with software solutions complementary to our ARGUS Developer product, while adding market share in our growth regions, including Australia and the Middle East. The EstateMaster software has been subsequently rebranded ARGUS EstateMaster and is sold as part of the Altus Analytics suite of software solutions.

Strategic Investment in Waypoint Building Group

Consistent with our strategy of building and scaling our technology and data offerings through partnerships and direct investments, on March 17, 2017, we advanced US\$3.0 million to Waypoint Building Group, Inc. ("Waypoint") in the form of a promissory note, with simple interest accrued at a rate of 5% and payable on maturity, 24 months from the date of issuance. The promissory note includes conversion features which are applicable on maturity or upon the occurrence of certain events such as an equity financing or corporate transaction.

Waypoint is an early-stage data analytics company. Founded in 2009, Waypoint is a San Francisco-based commercial real estate technology company that provides real-time local market operating expense information and benchmarking solutions to the North American commercial real estate market.

Early Redemption of Outstanding 6.75% Convertible Debentures

The outstanding 6.75% convertible debentures ("2012 convertible debentures") were redeemed by the Company on May 3, 2017, in accordance with the terms of the convertible debenture indenture and have been delisted from the Toronto Stock Exchange. The aggregate principal amount of the 2012 convertible debentures outstanding as of December 31, 2016 was \$6.1 million, of which \$5.7 million was converted into 570,900 common shares issued from treasury at a conversion price of \$10.00 per common share. The remaining principal amount of \$0.4 million of the 2012 convertible debentures was redeemed using available cash on hand.

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Investment in Real Matters

On May 11, 2017, Real Matters completed its initial public offering at \$13.00 per common share. As a result, our equity interest in Real Matters was diluted to 12.0%. The partial deemed disposition of our investment and re-measurement of our retained interest resulted in an accounting gain of \$115.7 million in the second quarter. At that time, the ongoing accounting treatment of our investment in Real Matters changed from equity accounting to an available-for-sale investment. Since then, gains or losses from mark-to-market adjustments were reflected directly in other comprehensive income (loss). Certain items such as dividends and impairment losses are recognized in profit or loss. When our investment was derecognized as a result of a sale or impairment, the cumulative gain or loss previously recognized in other comprehensive income (loss) was reclassified to profit or loss.

Restructuring Activities

In the first quarter of 2017, we undertook company-wide restructuring activities under a corporate program to further optimize operations. This restructuring plan was completed in Q2 of 2017. In connection with these restructuring activities, a total of \$4.7 million in restructuring costs were recorded for the year ended December 31, 2017. These charges relate primarily to employee severance costs.

Acquisition of Commercial Valuers & Surveyors Limited

On November 1, 2017, we acquired CVS, a property tax service provider in the U.K. that specializes in business rates services. The acquisition of CVS positions Altus Group as the largest business rates advisor in the U.K. based on volume of appeals filed, and more than doubles the size of our legacy business in the U.K. CVS's team of approximately 230 professionals were added to our U.K. Property Tax division, strengthening our business rates expertise. As the acquisition provides us with greater scale and synergistic opportunities, it positions us for growth and expands our database on comparable property information in a key real estate market, allowing us to better serve our clients in appeals and lease negotiations.

Altus Group paid a total of £30.3 million (CAD\$51.6 million) in cash on closing with an additional £6.0 million (CAD\$10.2 million) payable in two years from the closing date, subject to compliance with certain terms and conditions. On closing, £25.3 million (CAD\$43.1 million) was from cash on hand and £5.0 million (CAD\$8.5 million) was drawn from our revolving term facility. Based on the estimated Adjusted EBITDA to be derived from the 2017 assessment cycle, the average Adjusted EBITDA multiple for this transaction was estimated at 5.5 times. Given the annuity revenue model of this business, revenue is expected to grow in a compounding manner as appeals are settled over the 4-year term of the cycle, and likewise earnings contribution increases throughout the cycle as majority of the revenues are on a contingency basis.

Selected Highlights for 2016

Altus Analytics

On March 1, 2016, we announced the formation of a new business unit, Altus Analytics, which combined ARGUS Software with Research, Valuation & Advisory's U.S. and European Appraisal Management and Voyanta operations, as well as our Canadian market data products. The combination of our data, software and analytics offerings into one business unit enhances our ability to innovate and integrate our current solutions faster and more effectively for our clients. This strengthens the coordination of our sales, marketing, customer support, product development and services teams leading to a more compelling value proposition for clients. In line with the formation of Altus Analytics, restructuring activities were undertaken to consolidate the organizational leadership roles and increase operational alignment.

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Altus Analytics New Product Launches and Upgrades

In 2016, we expanded our core offerings with new and upgraded product releases.

In February of 2016, we launched a new product, AOD, a hosted subscription-based online service that provides access to AE and ARGUS Developer. This solution reduces the total cost of ownership and facilitates easy collaboration, rapid deployment and flexible user management for brokers, appraisers, developers and those involved with asset and investment management.

In 2016, we released two upgrades to our ARGUS Enterprise platform. AE 11.0, launched in January, added new portfolio management functionality unique to Europe and Asia Pacific and new functionality that reduces transactional cycle times for investment brokers, lenders and appraisers. AE 11.5, released in October, delivered more robust debt and risk management functionality along with enhanced ease of use capabilities.

In June of 2016, we launched ARGUS Developer 7.5, an upgrade to improve the management of the entire development life cycle.

Restructuring Activities

In 2016, we undertook restructuring activities as part of the formation of Altus Analytics and a reorganization within the Property Tax practice in the U.S. In connection with these restructuring activities, a total of \$4.1 million in restructuring costs were recorded for the year ended December 31, 2016. These charges relate primarily to employee severance costs.

Technology Integration Partnership with Hightower Inc.

In June of 2016, we entered into a partnership with Hightower Inc. ("Hightower") to integrate their leasing management platform with AE to enable a seamless flow of data between Hightower's leasing management platform and AE. (On November 29, 2016, Hightower was merged with VTS and is now operating under the VTS brand.)

Acquisition of R2G Limited

On August 1, 2016, we acquired all the issued and outstanding shares of R2G Limited ("R2G") and its subsidiaries for \$6.1 million in cash, common shares and contingent consideration, subject to working capital adjustments. Based in Hertfordshire, U.K., but operating nationally since 2002, R2G specialized in tax representation for all types of commercial real estate. The addition of R2G expanded our market share for our U.K. Property Tax business and added regional scale.

Dilution of our Investment in Real Matters

On April 1, 2016, our investment in Real Matters was diluted due to a private placement and issuance of common shares in connection with an acquisition completed by Real Matters. These transactions reduced our equity interest from 16.4% to 13.9%. The partial deemed disposition of our investment resulted in a gain of \$9.9 million with a corresponding increase to the carrying value of our investment in Real Matters. In January 2017, Real Matters issued 1,500,000 common shares, which further diluted our investment to 13.8%.

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Redemption of Altus UK LLP Class B and Class D Limited Liability Partnership Units

In 2016, 78,227 Class B limited liability partnership units and 24,593 Class D limited liability partnership units of Altus UK LLP were redeemed at an average value of \$20.05 per unit. As a result, the equity derivative which was set to expire on November 16, 2016 was settled on April 1, 2016.

Geomatics Severance and Impairment

In 2016, the market conditions in Western Canada for Geomatics services continued to be adversely impacted by low oil prices and reduced drilling and pipeline activities and impacted our performance. As a result, we recorded a goodwill impairment charge of \$12.5 million.

Share Data

As at February 18, 2019, 39,092,398 common shares were outstanding and are net of 286,543 treasury shares. These treasury shares are shares held by Altus Group, which are subject to restrictive covenants and may or may not vest for employees. Accordingly, these shares are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at December 31, 2018, there were 1,518,670 share options outstanding (December 31, 2017 - 946,708 share options outstanding) at a weighted average exercise price of \$27.96 per share (December 31, 2017 - \$25.70 per share) and 495,894 share options were exercisable (December 31, 2017 - 268,038). All share options are exercisable into common shares on a one-for-one basis.

In 2013, we implemented a Dividend Reinvestment Plan ("DRIP") for our shareholders who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividends in additional Altus Group common shares.

Pursuant to the DRIP, and in the case where common shares are issued from treasury, cash dividends will be reinvested in additional Altus Group common shares at the weighted average market price of our common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount, currently set at 4%. In the case where common shares will be purchased on the open market, cash dividends will be reinvested in additional Altus Group common shares at the relevant average market price paid in respect of satisfying this reinvestment plan.

For the year ended December 31, 2018, 158,481 common shares (2017 - 37,406 common shares) were issued under the DRIP.

Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our consolidated balance sheet as at December 31, 2018 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding lease inducements and contract liabilities), income taxes recoverable and payable, investments, borrowings and derivative financial instruments. We do not enter into financial instrument arrangements for speculative purposes.

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The fair values of the short-term financial instruments approximate their carrying values. The fair values of borrowings are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of other long-term assets and liabilities, promissory notes receivable and contingent consideration payables are measured using a discounted cash flow analysis of expected cash flows in future periods. The investments in equity instruments are measured based on valuations of the respective entities. Investments in partnerships are measured in relation to the fair value of assets in the respective partnerships.

The fair value of the liabilities for cash-settled plans as at December 31, 2018 was approximately \$8.8 million, based on the published trading price on the TSX for our common shares.

We are exposed to interest rate risk in the event of fluctuations in the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates as the interest rates on the bank credit facilities fluctuate with changes in these rates.

To mitigate our exposure to interest rate fluctuations, we have entered into interest rate swap agreements in connection with our bank credit facilities.

In 2015, we entered into interest rate swap agreements for a total notional amount of \$65.0 million and a fixed interest rate of 1.48% per annum. This agreement expires on May 15, 2020. As at December 31, 2018, we have a total notional amount of \$65.0 million outstanding and the fair value of these swaps were \$0.6 million in our favor.

We are exposed to price risk as the liabilities for cash-settled plans are classified as fair value through profit or loss, and linked to the price of our common shares.

Since 2014, we entered into equity derivatives to manage our exposure to changes in the fair value of RSUs and DSUs, issued under their respective plans, due to changes in the fair value of our common shares. Changes in the fair value of these derivatives are recorded as employee compensation expense and offset the impact of mark-to-market adjustments on the RSUs and DSUs that have been accrued.

As at December 31, 2018, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$10.0 million. The fair value of these derivatives is \$0.5 million in our favor.

We are exposed to credit risk with respect to our cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. The risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries.

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. We manage liquidity risk through the management of our capital structure and financial leverage. We also manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenues and receipts and maturity profile of financial assets and liabilities. Our Board of Directors review and approve our operating and capital budgets, as well as any material transactions

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outside the ordinary course of business, including proposals on mergers, acquisitions or other major investments.

Contingencies

From time to time, we or our subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the final outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from such matters will not have a material adverse effect on our financial position or results of operations and have been adequately provided for in the consolidated financial statements.

In the ordinary course of business, we are subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions we made in our tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on our financial position or results of operations.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying our accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying accounting policies.

Revenue recognition and determination and allocation of the transaction price

We estimate variable consideration for contingency arrangements on a project-by-project basis. Variable consideration is not constrained only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved, which is when savings are realized by the customer, unless the contractual terms provide for an enforceable right to payment for performance completed.

The transaction price is allocated on the basis of the relative standalone selling prices for contracts with more than one performance obligation. Estimation of the standalone selling price involves reasonably available data points, market conditions, entity-specific factors and information about the customer or class of customer. Where the observable price is not available, based on the specific facts and circumstances, either the adjusted market assessment or expected cost plus a margin approach is applied.

Impairment of trade receivables and contract assets

The impairment provisions for trade receivables and contract assets determined under IFRS 9 are based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation based on our past history, existing market conditions and forward-looking estimates at the end of each reporting period. Such estimates and judgments could

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impact trade receivables, contract assets for unbilled revenue on customer contracts and office and other operating expenses.

Allowance for doubtful accounts

Under International Accounting Standard 39, *Financial Instruments: Recognition and Measurement*, estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance and the credit worthiness of the customer. An allowance is established when the likelihood of collecting the account has significantly diminished.

Estimated impairment of goodwill

We test at least annually whether goodwill is subject to any impairment. Goodwill impairment is evaluated between annual tests upon the occurrence of events or changes in circumstances. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the business combination in which the goodwill arose. Goodwill is tested for impairment in the groups of CGUs for which it is monitored by management. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount for any CGU is determined based on the higher of fair value less costs to sell and value in use. Both of the valuation approaches require the use of estimates. Significant erosion in the general state of the economy could result in increased impairment losses. For the year ended December 31, 2018, a goodwill impairment charge of \$13.7 million was recorded (2017 - \$nil).

Intangibles

Intangibles are acquired assets that lack physical substance and that meet the specified criteria for recognition separately from goodwill. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates. Significant erosion in the general state of the economy could result in increased impairment losses. For the year ended December 31, 2018, there was no intangible impairment charge (2017 - \$nil).

Determination of purchase price allocations and contingent consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

Income taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes in the period in which such determination is made.

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Changes in Accounting Policies Including Initial Adoption of New Accounting Pronouncements

Adoption of Recent Accounting Pronouncements

We adopted the new accounting standards for revenue recognition and financial instruments effective January 1, 2018. These new standards had a material impact on our consolidated financial statements as at and for the year ended December 31, 2017. Beginning with the first quarter of 2018, our financial results reflect adoption of the standards with prior periods restated accordingly. Refer to Note 4 - Adoption of Recent Accounting Pronouncements in the notes to financial statements for further discussion.

IFRS 15, *Revenue from Contracts with Customers*, impacts us if our customers choose to license our on-premise versions rather than licensing hosted versions of ARGUS software solutions. The associated revenue will shift from being recognized over the contract term for the entire contract value to a portion of the contract value being recognized at the time of delivery of the distinct license and the remainder over the contract term.

IFRS 9, *Financial Instruments*, impacts the accounting for expected credit losses of financial assets, more specifically, trade receivables and contract assets for unbilled revenue on customer contracts. Under IFRS 9, we will apply an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. This will result in losses being recognized earlier.

Future Accounting Pronouncements

International Financial Reporting Standard 16, Leases

IFRS 16, *Leases*, which was issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 was issued to increase transparency and comparability. Lessees are required to recognize assets and liabilities for most leases on the balance sheet regardless of the former classification under IAS 17. These assets and liabilities will be amortized and accreted with a different pattern of expense being recognized in the statement of profit and loss. Under the new standard, enhanced disclosures are expected to give users of financial statements a basis to assess the effects of leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, using either a full or modified retrospective application. The standard will impact the operating leases for offices and equipment.

Throughout the year, we compiled the existing operating and finance leases reviewing them to assess the relevant data points. Simultaneously, we reviewed existing service contracts in order to determine if they contained embedded lease arrangements and whether they were in scope of IFRS 16.

We have developed a valuation approach to discount the identified population of leases and have implemented a software solution to assist with the increased accounting and disclosure requirements arising from the new standard and have implemented the necessary internal controls over the new processes.

We intend to apply this standard on a modified retrospective basis and expect to recognize on January 1, 2019, lease liabilities in the range of \$80.5 million - \$85.5 million and right of use assets in the range of \$70.5 million - \$75.5 million (after reclassification of approximately \$10.0 million of accrued and deferred lease

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payments recognized at December 31, 2018). The standard will result in a reduction in occupancy expense for lease costs under operating leases, but result in an increase in depreciation expense related to right of use assets capitalized, and an increase in finance costs due to interest costs on the lease liabilities. We expect to be in compliance with our existing financial covenants upon adoption of this standard. Our Q1 2019 interim condensed consolidated financial statements will include the effects of applying this standard.

As a lessor, we do not expect any significant impact on adoption due to their subleasing arrangements.

International Financial Reporting Interpretations Committee 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments*, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. We do not anticipate any significant impact of this standard on our consolidated financial statements.

International Financial Reporting Standard 3, Business Combinations

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations*, that revises the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will now need to be an organized workforce. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective to business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. We have not yet determined the impact of this standard on our consolidated financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

Management has caused such DC&P to be designed under its supervision to provide reasonable assurance that our material information, including material information of our consolidated subsidiaries, is made known to our Chief Executive Officer and our Chief Financial Officer for the period in which the annual and interim filings are prepared. Further, such DC&P are designed to provide reasonable assurance that information we are required to disclose in our annual filings, interim filings or other reports we have filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Management has caused such ICFR to be designed under its supervision using the framework established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance regarding the

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reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition.

Management has limited the scope of the design of DC&P and ICFR, consistent with previous practice, to exclude controls, policies and procedures of Taliance acquired on July 1, 2018.

Financial information of the business acquired is summarized below.

Balance sheet data for Taliance:

<i>In thousands of dollars</i>	December 31, 2018
Assets	\$ 30,983
Liabilities	(4,253)
Equity	26,730

Income statement data for Taliance:

<i>In thousands of dollars</i>	Period ended December 31, 2018
Revenues	\$ 2,504
Expenses	4,422
Profit (loss)	(1,918)

Management has caused to be evaluated under its supervision the effectiveness of its DC&P as of December 31, 2018 and has concluded that the design and effectiveness of these controls and procedures provide reasonable assurance that material information relating to Altus Group, including our consolidated subsidiaries, was made known to management on a timely basis to ensure adequate disclosure.

Management has caused to be evaluated under its supervision the effectiveness of its ICFR as of December 31, 2018 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls provide reasonable assurance of the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended December 31, 2018, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standards related to revenue recognition and financial instruments on our financial statements to facilitate their adoption on January 1, 2018. There were no significant changes to our internal control over financial reporting due to the adoption of the new standards.

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The audit committee and our Board of Directors have reviewed and approved this MD&A and the consolidated financial statements for the year ended December 31, 2018.

Key Factors Affecting the Business

The risks and uncertainties that could significantly affect our financial condition and future results of operations are summarized below.

General state of the economy

The businesses operated by us are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of our control. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending and other factors could have a material adverse effect on our business, financial condition and results of operations. Although our operations are functionally and geographically diversified, significant erosion in levels of activity in any segment in which we operate could have a negative impact on our business, financial condition and results of operations.

Currency risk

Our reporting currency is the Canadian dollar.

We have operations in Canada, the U.S., the U.K., Australia and various countries throughout Asia. Our exposure to foreign currency risk is primarily in the following areas:

- Profit (loss) generated by operations in foreign countries, which are translated into Canadian dollars using the average exchange rate;
- Net assets of foreign subsidiaries, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded under accumulated other comprehensive income (loss) within shareholders' equity; and
- Non-Canadian dollar denominated monetary assets and liabilities, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded through profit (loss).

The exchange rate between the Canadian dollar and the U.S. dollar ranged from \$1.2551 at December 31, 2017 to \$1.3630 at December 31, 2018. The exchange rate between the Canadian dollar and the British pound ranged from \$1.6932 at December 31, 2017 to \$1.7357 at December 31, 2018. The exchange rate between the Canadian dollar and the Australian dollar ranged from \$0.9796 at December 31, 2017 to \$0.9613 at December 31, 2018.

Ability to maintain profitability and manage growth

Our ability to achieve revenue growth and sustain profitability in future periods depends on our ability to execute our strategic plan and effectively manage our growth. A failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Commercial real estate market

The businesses we operate are affected by the state of commercial real estate as an investment asset class. Economic slowdowns triggered by credit liquidity, interest rates, regulatory policy, tax policy, etc., could negatively impact the market and result in fewer appraisals, cost assignments and license and subscription

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sales. This could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Competition in the industry

We face competition from other service, software and data analytics providers. Competition for our professional services includes a broad mix of competitors, ranging from smaller, locally-based professional service firms to national, multi-regional professional service providers and to large engineering, accounting and law firms. Software providers also compete with us in respect of real estate asset management, valuation, budgeting, forecasting, reporting and lease management solutions. There are also new companies entering the market with competitive data analytics solutions. These competitive forces could result in a material adverse effect on our business, financial condition and results of operations by reducing our relative share in the markets we serve.

Acquisitions

We intend to make acquisitions as part of our strategy to grow our business. Acquisitions may increase the size of our operations, as well as increase the amount of indebtedness that we may have to service. The successful integration and management of acquired businesses involve numerous risks and there is no assurance that we will be able to successfully integrate our acquisitions. Such failure could adversely affect our business, financial condition and results of operations.

Oil and gas sector

The land survey practice of Geomatics has significant client exposure in the oil and gas industry in Western Canada and is impacted by the associated capital spending from that sector. The risks to the outlook for the land survey practice in Western Canada arise from world markets for oil and gas and the associated impact on capital spending. Historically, the prices for oil and gas have been volatile and subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control. We cannot predict future oil and gas price movements. If oil and gas prices experience a prolonged decline, there could be a material adverse effect on our business, financial condition, liquidity and operating results.

Ability to attract and retain professionals

Our success and ability to grow are dependent on the expertise, experience and efforts of our professionals. Competition for employees with the qualifications we desire, particularly with commercial real estate technology experience, is intense and puts upward pressure on compensation costs. We expect that competition for qualified professionals will continue to increase, thereby causing compensation costs to escalate. Should we be unable to attract and retain professionals that meet the desired level of skills and ability, our business may be jeopardized.

Information from multiple sources

The quality of our databases supporting certain of our products depends substantially on information provided by a number of sources, including commercial real estate brokers, agents and property owners, trade associations, tax assessors, deed recorders, municipal planners, corporate web sites, the business and trade press, and selected third party vendors of business information. If we are unable to collect information from a significant number of these sources this could negatively affect certain of our products and may potentially result in subscriber cancellations and failure to acquire new subscribers.

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Reliance on larger enterprise transactions with longer and less predictable sales cycles

The ability to meet revenue targets is becoming more dependent on larger transactions which have longer sales cycles. The presence or absence of one or more of these transactions may have a material positive or negative effect on anticipated revenue in any given period.

Success of new product introductions

As new products are developed and introduced to the marketplace, client adoption may not achieve anticipated levels. As a result, revenue expectations may not be achieved. If cash flows from new products do not reach sufficient levels, asset impairments may need to be taken on any capitalized costs related to the development of the products.

Ability to respond to technological change and develop products on a timely basis

Our ability to generate future revenues from software is dependent upon meeting the changing needs of the market and evolving industry standards through new product introductions and product enhancements. In order to maintain or enhance product market share over the long-term, it is imperative to anticipate and develop products that meet client and industry needs. In the short to medium term, the ability to complete product developments on a timely basis is important to achieving revenue and cost targets.

Protection of intellectual property or defending against claims of intellectual property rights of others

We rely on protecting our intellectual property rights including copyrights, trademarks, trade secrets, databases and methodologies, which have been important factors in maintaining our competitive position. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. There can be no assurance that we will be successful in protecting our proprietary rights and, if we are not, our business, financial condition, liquidity and results of operations could be materially adversely affected. Additionally, we may be subject to claims by third parties regarding technology infringement. Responding to such claims could result in substantial expense and may result in damages or injunctive relief. We may also be required to indemnify customers pursuant to our indemnification obligations, enter into licensing agreements on unfavourable terms or redesign or stop selling affected products, which could materially disrupt the conduct of our business.

Ability to implement technology strategy and ensure workforce adoption

Our business relies on the use of information technology systems to deliver expert services, data and software solutions to our clients. If we are unable to effectively implement our information technology strategies or adopt new technologies and technology-enabled processes relevant to our offerings in a timely or cost-effective manner, or if our employees fail to adopt in an effective and timely manner new technologies or technology-enabled processes, then our ability to deliver services and solutions that meet client needs or our ability to remain competitive in the market may be materially impaired.

Information technology governance and security, including cyber security

In the ordinary course of our business, we collect, store, process and/or transmit sensitive data belonging to clients, partners, vendors, employees and contractors as well as our own proprietary business information and intellectual property. The secure processing, maintenance and transmission of this information is critical to our workflow operations and delivery of products and services to our clients. We have implemented a secure operating framework which includes policies and governance, prevention and detection technologies, back-up and recovery processes and other procedures and technology in the

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protection of our data, software and infrastructure assets from loss, theft, unauthorized access, vandalism, cyber attacks, or events such as power outages or surges, floods, fires or other natural disasters. We have also implemented a major incidence process whereby breaches or unauthorized access to our systems are assessed and reported based on established communication protocols. Despite our security measures, our data, systems and infrastructure may be vulnerable to cyber attacks or breached due to employee error, malfeasance or other disruptions. These security breaches could materially compromise our information, disrupt our business operations or cause us to breach our client obligations thereby exposing us to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of client information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against us, as well as cause reputational harm, negatively impact our competitive position and affect our financial results. We are increasingly relying on third-party data storage providers, including cloud storage solution providers, resulting in less direct control over our data and system processing. Such third parties may also be vulnerable to security breaches for which we may not be indemnified and which could cause materially adverse harm to our reputation and competitive position and affect our financial results.

Engagement and product pipeline opportunities do not result in sufficient definitive agreements

Our forecast is built on a pipeline of client opportunities at varying stages within the sales process. Our ability to achieve the forecast is dependent on completion of the sales cycle and client acceptance of mutually agreeable terms. Certain factors are beyond our control, including our clients' evaluation of our offerings, budgetary constraints, timing of their approval processes, etc. Our pipeline of opportunities may not close on terms and timing in line with our forecast. This may have a material positive or negative effect on anticipated revenue in any given period.

Property tax assessment regulators do not process appeals in a manner consistent with expectations

Our Property Tax practice is significantly influenced by property tax assessment regulators and their appeal settlement processes. The timing and volume of appeals processed and whether the outcomes are favourable may cause fluctuations on a quarterly and annual basis, in addition to spillover effects outside any particular valuation cycle. This may have a material positive or negative effect on anticipated revenue in any given period.

Fixed-price and contingency engagements

A portion of our revenues comes from fixed-price engagements. A fixed-price engagement requires us to either perform all or a specified part of work under the engagement for a specified lump sum payment. Fixed-price engagements expose us to a number of risks not inherent in cost-plus engagements, including underestimation of costs, ambiguities in specifications, unforeseen or changed costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform and economic or other changes that may occur during the term of engagement. Increasing reliance on fixed-price engagements and/or increases in the size of such engagements would increase the exposure to this risk. Economic loss under fixed-price engagements could have a material adverse effect on our business.

We are also engaged to provide services on a contingency basis, meaning that we receive our fees only if certain results are achieved. We may experience adverse financial effects from having devoted professional and other resources to a project, which, due to a failure to meet the contingency goals, are not recouped through fees.

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Appraisal and appraisal management mandates

Some clients rotate their appraisal mandates to different service providers. As a result, we may be rotated out of an appraisal engagement.

Canadian multi-residential market

A significant part of the Canadian Cost practice area's annual revenues are derived from the rental apartment and condominium sectors of the multi-residential development market. Any significant decline in the multi-unit residential development market could have a material adverse effect on our Cost practice's operating results.

Weather

The level of activity in the oilfield services industry and natural resources industry are influenced by seasonal weather patterns and natural or other disasters, such as floods and forest fires. Spring break-up often experienced during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of field equipment, which results in severe restrictions in the provision of field work for Geomatics' survey services and land-use consulting. The timing and duration of spring break-up are dependent on regional weather patterns but generally occur in April and May.

The demand for survey services and forestry and land-use services may also be affected by the severity of Canadian winters, and excessively rainy periods or forest fires, thereby adversely affecting operations. The uncertainty of weather and temperature can therefore create unpredictability in activity and utilization rates.

Legislative and regulatory changes

Changes to any of the laws, rules, regulations or policies affecting our business would have an impact on our business. Certain elements of our business are influenced by the regulatory environment of our clients, such as the requirement for pension fund managers to obtain property valuations on an annual basis. In addition, elements of our business, such as our Property Tax practice area, are significantly influenced by the regulatory regime and any changes thereto. Any change to laws, rules, regulations or policies may significantly and adversely affect our operations and financial performance.

Customer concentration and loss of material clients

Although we are not dependent on one or a small number of clients, certain of our business segments have significant clients. Loss of any significant client that contributes a substantial portion to that business segments' revenues could have a negative impact on our revenues and could impact our ability to attract and retain other clients.

Interest rate risk

We are exposed to fluctuations in interest rates under our borrowings. Increases in interest rates may have an adverse effect on our earnings.

Credit risk

We may be materially and adversely affected if the collectability of our trade receivables is impaired for any reason. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. This practice increases the risk and likelihood of

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future bad debts. In addition, the risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries.

Income tax matters

In the ordinary course of business, we may be subject to audits by tax authorities. While management anticipates that our tax filing positions will be appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the authorities. If such challenge were to succeed, it could have a material adverse effect on our tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of tax authorities, could materially adversely affect our tax position.

Revenue and cash flow volatility

Our revenue, cash flow, operating results and profitability may experience fluctuations from quarter to quarter, based on project terms and conditions for billing and rendering of services.

Health and safety hazards

Our employees are sometimes required to attend client worksites, including construction worksites in the case of both Cost and Geomatics and remote, wilderness areas in the case of Geomatics. The activities at these worksites may involve certain operating hazards that can result in personal injury and loss of life. We have implemented health and safety policies and procedures as well as provide required employee health and safety training programs. Despite these programs, there can be no assurance that our insurance will be sufficient or effective under all circumstances or against all claims or hazards to which we may be subject or that we will be able to continue to obtain adequate insurance protection. A successful claim for damage resulting from a hazard for which it is not fully insured could adversely affect our results of operations.

Performance of contractual obligations and client satisfaction

Our success depends largely on our ability to fulfill our contractual obligations and ensure client satisfaction. If we fail to properly define the scope of our work, communicate the boundaries or use of the advice and reports we provide, define the limits of our liability, satisfactorily perform our obligations, or make professional errors in the advice or services that we provide, clients could terminate projects, refuse payment for our services or take legal action for the loss or harm they suffer, thereby exposing us to legal liability, loss of professional reputation, enhanced risk of loss and/or reduced profits.

Risk of legal proceedings

We are threatened from time to time with, or are named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting our business, including lawsuits based upon professional errors and omissions. A significant judgment against us, or the imposition of a significant fine or penalty as a result of a finding that we have failed to comply with laws, regulations, contractual obligations or other arrangements or professional standards, could have a significant adverse impact on our financial performance. Should any indemnities made in our favor in respect of certain assignments fail to be respected or enforced, we may suffer material adverse financial effects.

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Insurance limits

Management believes that our professional errors and omissions insurance coverage and directors' and officers' liability insurance coverage address all material insurable risks, provide coverage that is similar to that which would be maintained by a prudent operator of a similar business and are subject to deductibles, limits and exclusions, which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving our assets or operations.

Ability to meet solvency requirements to pay dividends

Our ability to pay dividends is dependent on our operations and assets, and is subject to various factors including our financial performance, our obligations under applicable bank credit facilities, fluctuations in our working capital, the sustainability of our margins and our capital expenditure requirements.

Leverage and financial covenants

Our ability to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness owed by us or our subsidiaries (including the bank credit facilities). The degree to which we are leveraged could have important consequences to our shareholders. For example, our ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of our cash flow from operations may be dedicated to the payment of principal and interest on our indebtedness, thereby reducing funds available for future operations; certain of our borrowings will be subject to variable rates of interests, which exposes us to the risk of increased interest rates; and we may be more vulnerable to economic downturns and be limited in our ability to withstand competitor pressures.

The bank credit facilities contain numerous financial covenants that limit the discretion of our management with respect to certain business matters. These covenants place significant restrictions on, among other things, our ability to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the bank credit facilities contain a number of financial covenants that require us to meet certain financial ratios and financial condition tests. Failure to comply with the obligations provided in the bank credit facilities could result in a default which, if not cured or waived, could result in the termination of dividends paid by us and accelerate the repayment of the relevant indebtedness. If repayments of indebtedness under the bank credit facilities were to be accelerated, there can be no assurance that our assets would be sufficient to repay the relevant indebtedness in full. There can be no assurance that future borrowings or equity financing will be available to us or available on acceptable terms, in an amount sufficient to fund our needs. If we are unable to obtain financing on the expiration of the bank credit facilities or are unable to obtain financing on favourable terms, our ability to pay dividends may be adversely affected.

Unpredictability and volatility of common share price

Our common shares do not necessarily trade at prices determined by reference to the underlying value of our business and cannot be predicted. The market price of the common shares may be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, securities markets have experienced significant price and volume fluctuations from time to time in recent years that

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are often unrelated or disproportionately related to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of our common shares.

Capital investment

The timing and amount of capital expenditures made by us or any of our subsidiaries indirectly affects the amount of cash available for investments, debt payments or dividend payments. Dividends may be reduced, or even eliminated, at times when we deem it necessary to make significant capital or other expenditures.

Issuance of additional common shares diluting existing shareholders' interests

We are authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as may be determined by the Board of Directors without shareholder approval, except as required by the TSX. An issuance such as this may dilute the interests of current shareholders.

Environmental, Social and Governance

For Altus Group, Environmental, Social and Governance ("ESG") matters are cornerstones of our strategy and corporate culture, and contribute to our success and long-term financial sustainability. We identified the following ESG factors in particular to be important to our sustainability: corporate governance, environmental impact, social impact, corporate philanthropy, human capital, diversity and inclusion, and cybersecurity.

Corporate Governance

Altus Group is committed to maintaining high standards of governance and ethics throughout our company. We believe strong stewardship and good governance are essential to operating our business effectively and are important to our shareholders, employees and other stakeholders.

The Board has adopted the following corporate governance guidelines and framework to protect Altus Group's interests and to align our objectives with those of our shareholders: Corporate Governance Guidelines, Board Mandate and Committee Charters, Written Position Descriptions, Director Independence, Directors' Equity Ownership Requirements, Directors' Equity Ownership Interests, Prohibition on Hedging and Equity Monetization Policy, Code of Business Conduct and Ethics, Whistleblower Policy, Timely Disclosure and Confidentiality Policy, Board Diversity Policy, and Advance Notice By-Law.

Some of our governance highlights include:

- We were early adopters of a Board Diversity Policy and today three of our eight directors are women (representing almost 40% of our total members).
- We believe that we have shareholder-friendly executive compensation plans that align performance with compensation, and align the objectives of our executives with the long-term interests of the company and its shareholders, while ensuring that we remain competitive in the market, and continue to attract, retain and motivate top talent.
- The composition of our Board has evolved to better suit our strategic direction, providing the ideal mix of industry knowledge, diversity, international experience and financial expertise, as well as a range of director age and tenure that provides the Board with a diversity of opinion and experience.

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Our corporate governance policies, procedures and practices are designed to ensure that our Board can fulfill its statutory mandate to supervise the management of our business and affairs in accordance with the highest standards of ethical conduct and in the best interests of all of our stakeholders. We strive to put governance practices in place that not only comply with regulatory requirements in accordance with prevailing market practices, but exceed them. We are committed to effective and sound practices in corporate governance and regularly assess opportunities for improvement. More information related to our governance practices and guidelines is available on our corporate website under the Investor Relations tab.

Environmental Impact

As the majority of our revenues are derived from services and software, we do not consider our business to have a material environmental footprint. We are committed to protecting the environment and reducing waste by promoting the efficient use of energy and natural resources. We strive to implement recycling programs wherever it is available in our offices, including reducing use of bottled water by installing drinking water filtrations systems, installing energy efficient lighting in many of our offices, and encouraging employees to save paper and only print documents when necessary. Our head office in Toronto is also LEED certified, and as we expand our geographical presence we strive to choose offices that have similar environmental certifications.

Social Impact

Altus Group has a number of social policies that govern our conduct and speak to our corporate culture and values. Our Altus Group Employee Handbook(s), Code of Conduct and Ethics policy, Workplace Anti-Violence Unlawful Discrimination and Bullying policy, and health and safety training all contribute to ensuring a safe workplace - both physically and culturally. We mandate training of employees on a number of related topics, such as preventing harassment and violence in the workplace, IT security, and Code of Conduct.

All of our employees are required to participate in health and safety training based on jurisdictional requirements which we routinely review with a view to improve efficacy and meet prevailing market standards.

Our Code of Business Conduct and Ethics policy contains principles and guidelines in the following areas: complying with applicable laws (including insider trading laws and timely disclosure); conflicts of interest; protection of corporate assets and corporate opportunities; gifts and entertainment; payments to government personnel; government relations; fair dealing; outside directorships; confidentiality, propriety information and trade secrets; workplace environment; and reporting violations of the Code or other company policies. Altus Group employees who violate the standards in this Code are subject to disciplinary action, which may include the termination of their employment.

As a reflection of our commitment to uphold high professional standards, Altus Group became the first company to be globally regulated by the Royal Institution of Chartered Surveyors ("RICS"), the world's leading qualification for professional standards in land, property and construction. RICS is the global professional body that promotes and enforces the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.

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To our best knowledge, we remain the only Canadian publicly-traded company regulated by RICS. Among other things, RICS requires us to adhere to certain valuation standards that take into account sustainability factors, such as environment and climate change, health and well-being and corporate responsibility. With our commitment to regulation by RICS, the Company aligns itself with RICS' recognition of the growing relevance of sustainability factors as a market influence.

Corporate Philanthropy

We are committed to support the communities in which our employees live and work, through both financial support and volunteer commitments. Our "Altus Cares" Committee meets regularly to plan and facilitate volunteerism and fundraising initiatives to add value to our communities. Directionally, we have committed our charitable focus on organizations that help children and their families dealing with challenging situations. We are proud that we continue to attract significant employee participation in our ongoing initiatives throughout the course of the year. In September (our Month of Caring), Altus Group employees around the world volunteer their time to support their local communities. A pillar event for our Canadian office has been our volunteerism with Ronald McDonald Houses to support families with ill children. Over the years, our Month of Caring has evolved to include a variety of charities (Juvenile Diabetes, Ride for Cancer, etc.) to promote our mandate of helping children and their families.

Human Capital

One of our key competitive advantages is our industry expertise. As such, our employees are our most valuable asset. In order to deliver on our clients' needs and provide the level of service our clients expect, we are dependent on being able to attract, retain and motivate qualified individuals. We have been successful in attracting and retaining talented professional staff due to, among other things, our global scale and position as an industry leader. This gives us the ability to offer professionals the opportunity to develop a broad and unique skill set through participation in a variety of projects, practice areas and high profile assignments.

Our dependence on being able to attract and retain employees is also one of our material risks. We strive to mitigate this risk by providing competitive benefits and compensation packages. We regularly benchmark our practices to those of our peers to ensure our benefits remain competitive and continue to meet our employees' needs. At our most senior levels, not only do we offer participation in our Long-Term Incentive Plan, but we also award a portion of our annual bonus in the form of equity. We offer flexible working arrangements that help improve our employees' work-life balance and overall wellness, and we provide a wide array of training, including technical, leadership and personal development aimed at empowering our employees to advance their careers within our company. In 2018 we launched a pilot program focused on training for new managers to equip them to successfully transition from a team member to a team leader. The response to the pilot was extremely positive and we have adopted the program globally and will roll out sessions across the globe regularly to support our new leaders.

We regularly review our talent and succession pipeline, giving visibility of our top talent to our Executive team across the business. We highlight and apprise our Board regularly in regards to our key talent and ensure the Board has direct exposure to these individuals.

Diversity and Inclusion

As a global organization, the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to our success. Altus Group's global growth plans requires an agile culture, and

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competitively, Altus Group needs to continue to develop an attractive employment proposition that appeals to a wide range of talent that will help the Company sustain its advantage. Diversity and inclusion are integral to Altus Group being successful and a key facet to an effective team of senior leaders. At Altus Group, diversity is about more than just gender. We embrace our employees' unique and diverse characteristics and think beyond traditional definitions of diversity. Altus Group realizes that age, ethnicity and geographic background, language, thinking styles, life experiences, personal style, sexual orientation, educational background, religion and more all enrich both the working environment and in turn what we can offer both our fellow employees and clients alike. It's all about the varied perspectives people can bring to our collective table. Diversity in our workforce is a differentiator that improves our ability to innovate and to drive improved performance. We believe that Altus Group is a better company when our workforce reflects the diversity of the communities in which we live and work, and that putting our unique differences to work across the company will drive growth and innovation.

While always a cornerstone at Altus Group, 2018 saw formal Diversity and Inclusion Committees formed globally. Sponsored by the CEO and the CHRO, employees from all levels are participating in these committees. They meet regularly to educate, increase awareness and promote a wide variety of activities furthering Altus Group's diversity and inclusion efforts. These committees have been developing plans and strategies while embracing an even wider range of activities to more visibly encourage and celebrate our diversity. Additionally, we hosted International Women's Day with events around the globe in March of 2018, and we continued to participate in forums such as the Commercial Real Estate Women's (CREW) Network.

Furthermore, we remain committed to continuing to increase the diversity of our workforce and continue to make solid progress. In relation to our diversity initiatives, we recognize the importance of increasing women's representation in executive and senior leadership roles and we are focused on developing this talent "pipeline". Today, just under 40% of our global workforce are women. Our current Global Executive is comprised of 20% women and similarly we currently have women in 19% of our global leadership team positions.

Cybersecurity

We have developed a cyber and information security program and implemented a variety of practices that safeguard our intellectual property and our client's data. We have an Information Security Policy and have implemented a framework of standards, controls, practices, processes and technologies in an information security management system ("ISMS") based on the ISO/IEC 27001:2013 international standard. Following industry best practices, our cyber and security controls are applied using a risk-based approach, following the principles of defense in depth and least privileged. Our cyber and information security measures focus on people, processes and technology, and address operational aspects such as training, systems development, access right, suppliers, cryptography, protection against malware, patching and many more.

Additional Information

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our corporate website at www.altusgroup.com under the Investors tab.

Our common shares trade on the Toronto Stock Exchange under the symbol "AIF".



Altus Group Limited

Consolidated Financial Statements
December 31, 2018 and 2017
(Expressed in Thousands of Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Altus Group Limited are the responsibility of management and have been reviewed and approved by the Board of Directors of Altus Group Limited. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the Annual Shareholders' Report and has ensured that this information is consistent with the consolidated financial statements.

The Company maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of Altus Group Limited ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The committee meets with the auditor to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters.

The consolidated financial statements have been independently audited by Ernst & Young LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Company.

"Robert Courteau"

Robert Courteau
Chief Executive Officer
February 21, 2019

"Angelo Bartolini"

Angelo Bartolini
Chief Financial Officer
February 21, 2019

Independent Auditor's Report

To the Shareholders of
Altus Group Limited

Opinion

We have audited the consolidated financial statements of Altus Group Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Vrooman.

Toronto, Canada
February 21, 2019

"Ernst & Young LLP"
Chartered Professional Accountants
Licensed Public Accountants

Altus Group Limited



Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Per Share Amounts)

	Notes	For the year ended December 31, 2018	Restated (Note 4) For the year ended December 31, 2017
Revenues	7	\$ 510,429	\$ 476,562
Expenses			
Employee compensation	8	330,612	295,173
Occupancy		21,340	20,709
Office and other operating		98,037	87,443
Amortization of intangibles	15	41,025	29,184
Depreciation of property, plant and equipment	14	8,089	7,260
Acquisition and related transition costs	6	2,394	3,319
Share of loss of associates	13	-	2,420
Restructuring costs	17	6,371	4,739
Gain on investments	13	(43)	(115,179)
Impairment charge	16	13,700	-
Finance costs, net	9	6,701	3,633
Profit (loss) before income taxes		(17,797)	137,861
Income tax expense	10	642	28,444
Profit (loss) for the year attributable to shareholders		\$ (18,439)	\$ 109,417
Other comprehensive income (loss):			
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences	22	17,696	(9,873)
Share of other comprehensive loss of associates	22	-	(46)
Change in fair value of AFS investments	13, 22	-	(26,460)
Items that are not reclassified to profit or loss in subsequent periods:			
Change in FVOCI investment reserves	13, 22	(44,351)	-
Other comprehensive loss, net of tax		(26,655)	(36,379)
Total comprehensive income (loss) for the year, net of tax, attributable to shareholders		\$ (45,094)	\$ 73,038
Earnings (loss) per share attributable to the shareholders of the Company during the year			
Basic earnings (loss) per share	24	\$ (0.48)	\$ 2.88
Diluted earnings (loss) per share	24	\$ (0.48)	\$ 2.83

The accompanying notes are an integral part of these consolidated financial statements.

Altus Group Limited



Consolidated Balance Sheets As at December 31, 2018 and 2017 (Expressed in Thousands of Canadian Dollars)

	Notes	December 31, 2018	Restated (Note 4) December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		\$ 48,738	\$ 28,070
Trade receivables and other	11	154,298	143,667
Income taxes recoverable		6,021	5,680
Derivative financial instruments	12	478	1,021
		209,535	178,438
Non-current assets			
Trade receivables and other	11	8,975	4,967
Derivative financial instruments	12	614	6,029
Investments	13	4,903	108,073
Deferred tax assets	10	19,581	15,285
Property, plant and equipment	14	33,197	30,374
Intangibles	15	114,894	132,959
Goodwill	16	266,483	249,990
		448,647	547,677
Total Assets		\$ 658,182	\$ 726,115
Liabilities			
Current liabilities			
Trade payables and other	17	\$ 117,520	\$ 101,454
Income taxes payable		6,802	2,887
Borrowings	18	858	661
Derivative financial instruments	12	-	918
		125,180	105,920
Non-current liabilities			
Trade payables and other	17	29,825	30,422
Borrowings	18	128,509	150,135
Deferred tax liabilities	10	16,242	27,576
		174,576	208,133
Total Liabilities		299,756	314,053
Shareholders' Equity			
Share capital	20	491,542	479,181
Contributed surplus	21	21,882	18,550
Accumulated other comprehensive income	22	54,558	10,402
Deficit		(209,556)	(96,071)
Total Shareholders' Equity		358,426	412,062
Total Liabilities and Shareholders' Equity		\$ 658,182	\$ 726,115

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

"Raymond Mikulich"

Raymond Mikulich

"Eric Slavens"

Eric Slavens

Consolidated Statements of Changes in Equity For the Years Ended December 31, 2018 and 2017 (Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
As at January 1, 2017		\$ 460,003	\$ 231	\$ 18,476	\$ 46,781	\$ (184,898)	\$ 340,593
Adjustment on adoption of IFRS 15	4	-	-	-	-	2,555	2,555
As at January 1, 2017		460,003	231	18,476	46,781	(182,343)	343,148
Profit (loss) for the year		-	-	-	-	110,058	110,058
Other comprehensive income (loss), net of tax:							
Currency translation differences	22	-	-	-	(9,717)	-	(9,717)
Change in fair value of AFS investments	13, 22	-	-	-	(26,460)	-	(26,460)
Share of other comprehensive loss of associates	13, 22	-	-	-	(46)	-	(46)
Total comprehensive income (loss) for the year		-	-	-	(36,223)	110,058	73,835
Dividends declared	25	-	-	-	-	(23,145)	(23,145)
Share-based compensation	21, 23	-	-	7,824	-	-	7,824
Dividend Reinvestment Plan	20	1,138	-	-	-	-	1,138
Shares issued on exercise of options	20, 21, 23	4,615	-	(703)	-	-	3,912
Shares issued on acquisitions	6, 20	3,679	-	-	-	-	3,679
Shares issued under the Equity Compensation Plan	20, 21, 23	7,623	-	(4,278)	-	-	3,345
Treasury shares reserved for share-based compensation	20, 23	(6,933)	-	-	-	-	(6,933)
Shares issued on conversion of convertible debentures	18, 20	5,924	(215)	-	-	-	5,709
Release of treasury shares under the Restricted Share Plan	20, 21, 23	3,132	-	(2,726)	-	-	406
Gain (loss) on sale of RSs and shares held in escrow	21	-	-	(59)	-	-	(59)
Equity component of convertible debentures that were redeemed	21	-	(16)	16	-	-	-
		19,178	(231)	74	-	(23,145)	(4,124)
As at December 31, 2017		\$ 479,181	\$ -	\$ 18,550	\$ 10,558	\$ (97,985)	\$ 410,304
As at December 31, 2017		\$ 479,181	\$ -	\$ 18,550	\$ 10,558	\$ (97,985)	\$ 410,304
Adjustment on adoption of IFRS 15	4	-	-	-	(156)	1,914	1,758
As at December 31, 2017 - Restated		479,181	-	18,550	10,402	(96,071)	412,062
Adjustment on adoption of IFRS 9	4	-	-	-	28	(771)	(743)
As at January 1, 2018		479,181	-	18,550	10,430	(96,842)	411,319
Profit (loss) for the year		-	-	-	-	(18,439)	(18,439)
Other comprehensive income (loss), net of tax:							
Currency translation differences	22	-	-	-	17,696	-	17,696
Change in fair value of FVOCI investments	22	-	-	-	(44,351)	-	(44,351)
Total comprehensive income (loss) for the year		-	-	-	(26,655)	(18,439)	(45,094)
Transfer of loss on disposal of FVOCI investments	22	-	-	-	70,783	(70,783)	-
Dividends declared	25	-	-	-	-	(23,492)	(23,492)
Share-based compensation	21, 23	-	-	9,455	-	-	9,455
Dividend Reinvestment Plan	20	4,617	-	-	-	-	4,617
Shares issued on exercise of options	20, 21, 23	1,005	-	(163)	-	-	842
Shares issued on acquisitions	6, 20	3,729	-	-	-	-	3,729
Shares issued under the Equity Compensation Plan	20, 21, 23	2,496	-	(2,496)	-	-	-
Treasury shares purchased for share-based compensation	20, 23	(3,061)	-	-	-	-	(3,061)
Release of treasury shares under the Restricted Share Plan	20, 21, 23	3,575	-	(3,430)	-	-	145
Gain (loss) on sale of RSs and shares held in escrow	21	-	-	(34)	-	-	(34)
		12,361	-	3,332	70,783	(94,275)	(7,799)
As at December 31, 2018		\$ 491,542	\$ -	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426

The accompanying notes are an integral part of these consolidated financial statements.

Altus Group Limited



Consolidated Statements of Cash Flows For the Years Ended December 31, 2018 and 2017 (Expressed in Thousands of Canadian Dollars)

Notes	For the year ended December 31, 2018	Restated (Note 4) For the year ended December 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	\$ (17,797)	\$ 137,861
Adjustments for:		
Amortization of intangibles	15 41,025	29,184
Depreciation of property, plant and equipment	14 8,089	7,260
Amortization of lease inducements	689	898
Amortization of capitalized software development costs	15 -	292
Finance costs, net	9 6,701	3,633
Share-based compensation	21, 23 9,455	7,824
Unrealized foreign exchange (gain) loss	(981)	849
Gain on investments	13 (43)	(115,179)
Loss on disposal of property, plant and equipment and intangibles	1,617	862
(Gain) loss on equity derivatives and currency forward contracts	12 4,822	(1,235)
Impairment charge	16 13,700	
Share of loss of associates	13 -	2,420
Net changes in operating working capital	(3,826)	9,408
Net cash generated by (used in) operations	63,451	84,077
Less: interest paid	(5,370)	(4,307)
Less: income taxes paid	(13,520)	(23,766)
Add: income taxes refunded	4,930	1,838
Net cash provided by (used in) operating activities	49,491	57,842
Cash flows from financing activities		
Proceeds from exercise of options	20, 21, 23 842	3,912
Redemption of Altus UK LLP Class B and D units	19 -	(883)
Proceeds from borrowings	51,279	54,921
Repayment of borrowings	(73,233)	(22,843)
Dividends paid	25 (18,798)	(21,806)
Treasury shares purchased under the Restricted Share Plan	20, 23 (3,061)	(3,588)
Net cash provided by (used in) financing activities	(42,971)	9,713
Cash flows from investing activities		
Purchase of investments	11, 13 (3,905)	(6,719)
Purchase of intangibles	15 (826)	(624)
Purchase of property, plant and equipment	14 (11,545)	(11,789)
Proceeds from disposal of property, plant and equipment and intangibles	271	449
Proceeds from disposal of investment	13 54,173	-
Acquisitions, net of cash acquired	6 (27,192)	(62,906)
Net cash provided by (used in) investing activities	10,976	(81,589)
Effect of foreign currency translation	3,172	(1,569)
Net increase (decrease) in cash and cash equivalents	20,668	(15,603)
Cash and cash equivalents, beginning of year	28,070	43,673
Cash and cash equivalents, end of year	\$ 48,738	\$ 28,070

The accompanying notes are an integral part of these consolidated financial statements.

Altus Group Limited



Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

1. Business and Structure

Altus Group Limited (the "Company") was formed through the completion of a plan of arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement") pursuant to an information circular dated November 8, 2010, whereby Altus Group Income Fund (the "Fund") was converted from an unincorporated open-ended limited purpose trust into a corporate structure (the "Corporate Conversion"). The Corporate Conversion through a series of transactions involved the exchange, on a one-for-one basis, of the Fund Units and the Class B limited partnership units of Altus Group Limited Partnership ("Altus LP") for common shares of the Company. As a result of this reorganization, Altus LP, Altus Operating Trust and the Fund were liquidated and dissolved. The effective date of the Corporate Conversion was January 1, 2011. The Company continues to operate the business of the Fund.

The Company directly or indirectly owns or controls operating entities located within North America, Europe and Asia Pacific and provides software, data solutions and independent advisory services to the global commercial real estate industry. The Company conducts its business through three business units: Altus Analytics, Commercial Real Estate Consulting and Geomatics.

The address of the Company's registered office is 33 Yonge Street, Suite 500, Toronto, Ontario, Canada. The Company is listed on the Toronto Stock Exchange ("TSX") and is domiciled in Canada.

"Altus Group" refers to the consolidated operations of Altus Group Limited.

2. Basis of Preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors for issue on February 21, 2019.

3. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Basis of Measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities, including derivatives, at fair value through profit or loss.

Consolidation

Subsidiaries

Investments in other entities where the Company 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, are considered subsidiaries. Subsidiaries are fully consolidated from the date at which control is determined to have occurred and are de-consolidated from the date that the Company no longer controls the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances are eliminated.

The Company uses the acquisition method of accounting to account for business combinations, when control is acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Associates

Associates are all entities over which the Company has significant influence. The Company has significant influence when it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in its associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of its associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

The Company reviews its investment in associates for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount, being the higher of fair value less costs to sell and value in use, and charged to profit or loss.

In accordance with International Accounting Standard ("IAS") 28, *Investments in Associates*, the Company had significant influence with respect to its investment in Real Matters Inc. ("Real Matters") up to May 11, 2017. As a result, the equity method was used to account for this investment up to that date.

Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Operating segments are aggregated when the criteria in IFRS 8, *Operating Segments*, are met. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars (\$), which is the Company's functional and presentation currency. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each respective entity operates.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss within office and other operating expenses.

The results and financial position of the Company's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- (b) income and expenses are translated at average exchange rates; and
- (c) all resulting exchange differences are recognized in other comprehensive income (loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction determined at the inception of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. A portion of each lease payment is allocated to finance costs. The rental obligations, net of finance costs, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the rental obligation for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Current and Deferred Income Taxes

The tax expense for the year consists of current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case, the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets are recognized only to the extent that it is probable that the assets can be recovered. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax assets and liabilities are offset when there is a legally enforceable right to offset and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Investment Tax Credits

Investment tax credits, arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation, are recorded as a reduction of employee compensation expense when there is reasonable assurance of their ultimate realization.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Employee Benefits

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the date at which the Company can no longer withdraw the offer of these benefits, and, in the case of restructuring, the date at which the Company has recognized costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, that involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-sharing and bonus plans

The Company recognizes the expense and related liability for bonuses and profit-sharing awards over the service period where contractually obliged or when there is a past practice that has created a constructive obligation, which can be reliably measured.

Share-based Compensation

The Company operates a number of share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Company: a Share Option Plan, an Equity Compensation Plan, a Long-Term Incentive Plan and a restricted share plan that are structured as Deferred Compensation Plans. These plans are described in Note 23. The Company operates Deferred Compensation Plans that are structured as a restricted share plan ("RS Plan") in Canada and as a restricted share unit plan ("RSU Plan") outside of Canada.

Options granted under the Share Option Plan and Long-Term Incentive Plan

The Company recognizes the fair value of the options on the grant date using the Black-Scholes option pricing model as compensation expense with a corresponding credit to contributed surplus over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. On the exercise of the options to purchase common shares, the consideration paid by the employee and the associated amount of contributed surplus are credited to share capital within shareholders' equity.

At the end of each reporting period, the Company re-assesses its estimate of the number of options that are expected to vest and recognizes the impact of the revisions within employee compensation expense.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Awards granted under the Equity Compensation Plan and Long-Term Incentive Plan

The Company recognizes the fair value of the award when granted as compensation expense with a corresponding credit to contributed surplus over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. When common shares are issued to settle the obligation, the amount previously recorded in contributed surplus is transferred to share capital within shareholders' equity.

At the end of each reporting period, the Company re-assesses its estimate of the number of awards that are expected to vest and recognizes the impact of the revisions within employee compensation expense.

Deferred Compensation Plans

The Company recognizes the fair value of the award when granted as compensation expense with a corresponding credit to contributed surplus over a 17-quarter period beginning in the year in which performance commences and ending on the vesting date. The Company contributes funds to purchase common shares in the open market (through the facilities of the TSX or by private agreement) and these restricted shares ("RSs") are held by the Company until they vest. This amount is shown as a reduction in the carrying value of the Company's common shares. As RSs are released, the portion of the contributed surplus relating to the RSs is credited to share capital within shareholders' equity.

With respect to the RSU Plan, the Company recognizes compensation expense through profit or loss with a corresponding credit to trade payables and other over a 17-quarter period beginning in the year in which performance commences and ending on the vesting date. The compensation expense is the fair value of the award when granted. Changes in the liability subsequent to the grant date and prior to settlement, due to changes in fair value of the Company's common shares, are recorded as compensation expense in the period incurred. The restricted share units ("RSUs") are settled in cash.

Directors' Deferred Share Unit Plan

For each deferred share unit ("DSU") granted, the Company recognizes the market value of the Company's common shares on the grant date as compensation expense with a corresponding credit to trade payables and other. Changes in the liability subsequent to the grant date and prior to settlement, due to changes in fair value of the Company's common shares, are recorded as compensation expense in the period incurred. The DSUs are settled in cash upon termination of Board service.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Revenue Recognition

Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time.

Payment terms vary by contract type; however, terms are typically 30 to 60 days.

Unbilled revenue on customer contracts, contract assets under IFRS 15, *Revenue from Contracts with Customers*, relates to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional. Customer deposits, included in trade payables and other, and deferred revenue, contract liabilities under IFRS 15, relate to payments received in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts.

Costs to obtain customer contracts represent commissions incurred and such commissions would not have been incurred if the contracts had not been obtained. These costs are incremental and the Company expects to recover these costs under each respective customer contract. These costs will be capitalized. The asset is amortized over the term of the specific contract it relates to, consistent with the associated pattern of revenue recognition, and is recorded in employee compensation expenses. As a practical expedient, incremental costs of obtaining a contract have been expensed when incurred if the amortization period of the asset is one year or less.

Services

The Company provides services on a time and materials basis, fixed fee basis or contingency basis. Services are offered by all segments of the Company.

Performance obligations for services on a time and materials or fixed fee basis are typically satisfied over time as services are rendered. In contracts where the Company is not entitled to payment until the performance obligations are satisfied, revenue is recognized at the time the services are delivered. At contract inception, the Company expects that the period between when the Company transfers control of a promised service to a customer and when the customer pays for that service will be one year or less. As a practical expedient, the consideration is not adjusted for the effects of a significant financing component.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Revenue is recognized based on the extent of progress towards completion of the performance obligation, on a project-by-project basis. The method used to measure progress depends on the nature of the services. Revenue is recognized on the basis of time and materials incurred to date relative to the total budgeted inputs. The output method on the basis of milestones is used when the contractual terms align the Company's performance with measurements of value to the customer. Revenue is recognized for services performed to date based on contracted rates and/or milestones that correspond to the amount the Company is entitled to invoice.

Performance obligations for contingency arrangements are satisfied at a point in time upon completion of the services. The consideration for such arrangements is performance-based and variable. The estimated variable consideration to include in the transaction price considers the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved. This is reassessed at the end of each reporting period.

Contracts are generally billed subsequent to revenue recognition and result in contract assets. In some contracts, customer deposits render contract liabilities to the extent that they exceed the contract assets, on a project-by-project basis.

Software and data products

Altus Analytics offers customers licenses for on-premise software that provide the customer with a right to use the software as it exists when the license is granted to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premise licenses is recognized upfront at the point in time when the software is delivered to the customer. Perpetual licenses are initially sold with one year of ongoing maintenance and the option to renew thereafter. Support services are sold with subscriptions in all cases. Revenue allocated to ongoing maintenance or support services is recognized ratably over the term of the contract. The standard warranty period is 30 days and it is not considered to be a distinct performance obligation. Contracts related to perpetual licenses and ongoing maintenance are billed upfront and prior to revenue recognition which results in the initial recognition of a contract liability. Contracts related to licenses sold on a subscription basis and support services will vary depending on the contractual terms.

Access to software and data products over a specified contract term is provided on either a subscription or usage basis. Revenue for software and data products provided on a subscription basis is recognized ratably over the contract term and contracts are billed upfront and prior to revenue recognition, which results in contract liabilities. Revenue for software products provided on a usage basis, such as the quantity of transactions processed or assets on the Company's platform, is recognized based on the customer utilization of such services. Such contracts are billed subsequent to revenue recognition which results in contract assets.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Financial Assets and Liabilities

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*. As a result, the current year financial statements are presented in accordance with IFRS 9, while the comparative period is presented in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Under both IFRS 9 and IAS 39, the Company classifies its financial liabilities as subsequently measured at amortized cost except for those at fair value through profit or loss ("FVPL") such as derivative financial instruments and contingent consideration payables.

The accounting policies applicable to financial instruments under IFRS 9 only from the date of initial application on January 1, 2018 are outlined.

From January 1, 2018, the Company classifies its financial assets as amortized cost, fair value through other comprehensive income ("FVOCI") or FVPL.

Financial liabilities are measured in a similar manner as under IAS 39, except that financial liabilities measured at FVPL will recognize changes in fair value attributable to the Company's own credit risk in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

The Company classifies cash and cash equivalents, and trade receivables at amortized cost as the contractual cash flows are solely payments of principal and interest and the asset is held within a business model with the objective of collecting the contractual cash flows.

The Company classifies its debt investments at FVOCI where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Company classifies its equity investments that are not held for trading at FVOCI and the Company has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

The Company classifies the promissory note receivable, investments in partnerships and derivative financial instruments at FVPL.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Impairment

The Company assesses financial assets on a forward-looking basis with the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9 (5.5.15), which requires expected lifetime losses to be recognized from initial recognition of the financial assets. The Company includes the effect of losses and recoveries due to the expected credit losses in the consolidated statements of comprehensive income (loss) through office and other operating expenses.

The accounting policies under IAS 39 applicable to financial instruments for the comparative period only are outlined below:

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, available-for-sale or held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company has no financial assets classified as held-to-maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Available-for-sale

Available-for-sale ("AFS") investments are measured at fair value with mark-to-market adjustments recognized directly in other comprehensive income (loss). Certain items such as dividends, interest and impairment losses are recognized in profit or loss. When an investment is derecognized as a result of a sale or impairment, the cumulative gain or loss previously recognized in other comprehensive income (loss) is reclassified to profit or loss.

Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss are financial assets or liabilities held for trading. Derivatives are also categorized as fair value through profit or loss unless they are designated as hedges. These assets or liabilities are initially recognized at fair value and are subsequently remeasured at their fair value. Gains or losses arising from changes in the fair value of the financial assets or liabilities at fair value through profit or loss are presented in the consolidated statements of comprehensive income (loss), depending on the nature of the item in place, in the period in which they arise.

The Company assesses at the end of each reporting period and as circumstances arise, whether there is objective evidence that a financial asset or group of financial assets is impaired.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Impairment losses

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Available-for-sale assets

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. The determination of whether a decline in fair value is significant or prolonged is an area of judgement.

In determining the significance of a decline in fair value, the Company considers the specific facts and circumstances surrounding the equity instrument, including historical price volatility, the length of the period over which a share price has declined and the percentage decline in fair value. The Company generally considers a decline in fair value for a period lasting over 12 months to be prolonged but considers the specific facts and circumstances in making such a determination.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term, highly liquid investments, which generally have original maturities of three months or less at the time of acquisition.

Derivative Financial Instruments and Hedging Activities

The Company enters into interest rate swap agreements for the purposes of managing interest rate exposure. The Company also enters into equity derivatives to manage its exposure to changes in the fair value of its RSUs and DSUs issued under their respective plans due to changes in the fair value of the Company's common shares. The Company also enters into currency forward contracts to manage its foreign exchange exposures. Derivatives are not for trading or speculative purposes. Derivatives are initially recognized at fair value when a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are recorded in the consolidated balance sheets at fair value with changes in fair value recorded within finance costs, net, office and other operating or employee compensation in profit or loss, depending on the nature of the derivative.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Additional costs incurred with respect to a specific asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is written off. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated over the useful life of the assets using the diminishing balance method as follows:

Furniture, fixtures and equipment	20 - 35%
Computer equipment	30%

Leasehold improvements are depreciated on a straight-line basis over the shorter of the remaining lease term and useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. No adjustments to the residual values and useful lives of any of the assets were made as at December 31, 2018.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognized in profit or loss within office and other operating expenses.

Intangibles

Intangible assets consist of: software, non-compete agreements, and certain identified intangible assets acquired through the Company's business acquisitions such as brands, customer backlog, and customer lists.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Intangibles with a finite life are amortized over the useful life of the assets using the straight-line or diminishing balance method as follows:

Brands of acquired businesses	1 - 5 years straight-line
Computer application software	30% diminishing balance
Custom software applications	2 - 5 years straight-line
Internally generated software	2 - 7 years straight-line
Customer backlog	straight-line over remaining life of contracts
Customer lists	5 - 10 years straight-line
Databases	2 - 4 years straight-line
Non-compete agreements	straight-line over life of agreements

The Altus Group and ARGUS brands are intangibles with an indefinite life and are not amortized.

Intangibles acquired as part of a business combination are recognized at fair value at the acquisition date. Intangibles with a finite useful life are carried at cost less accumulated amortization subsequent to acquisition.

Computer application software is recorded at cost less accumulated amortization.

Costs associated with maintaining computer software applications or incurred during the research phase are recognized as an expense as incurred. Development costs that are directly attributable to the design, build and testing of identifiable and unique software applications controlled by the Company are recognized as intangibles when the following criteria are met:

- it is technically feasible to complete the software application so that it will be available for use or sale;
- management intends to complete the software application and either use or sell it;
- there is an ability to use or sell the software application;
- it can be demonstrated how the software application will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software application are available; and
- the expenditure attributable to the software application during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognized as an expense as incurred.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Impairment of Non-financial Assets

Goodwill and intangibles that have an indefinite useful life are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from synergies of the business combination in which the goodwill arose. Goodwill is tested for impairment in the groups of CGUs for which it is monitored by the Company. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the disposed entity.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost with any difference between the proceeds, net of transaction costs, and the redemption value recognized in finance costs, net over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities if the payment is due within one year or less. If the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period, or any payments are due after more than one year, these are classified as non-current liabilities.

Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. 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.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Provisions are measured at the present value of the expenditures expected to be required 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 difference between the nominal amount of the provision and the discounted amount is amortized as a finance cost and correspondingly increases the carrying amount of the provision over the period to settlement.

Share Capital

Common shares issued by the Company are classified as equity.

Incremental costs directly attributable to the issuance of common shares are shown in equity as a deduction, net of tax, from the proceeds.

When the Company purchases its own share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such common shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Dividends

Dividends to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are declared by the Company's Board of Directors.

Future Accounting Pronouncements

International Financial Reporting Standard 16, Leases

IFRS 16, *Leases*, which was issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 was issued to increase transparency and comparability. Lessees are required to recognize assets and liabilities for most leases on the balance sheet regardless of the former classification under IAS 17. These assets and liabilities will be amortized and accreted with a different pattern of expense being recognized in the statement of profit and loss. Under the new standard, enhanced disclosures are expected to give users of financial statements a basis to assess the effects of leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, using either a full or modified retrospective application. The standard will impact the operating leases for offices and equipment disclosed in Note 28.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

Throughout the year, the Company compiled the existing operating and finance leases reviewing them to assess the relevant data points. Simultaneously, the Company reviewed existing service contracts in order to determine if they contained embedded lease arrangements and whether they were in scope of IFRS 16.

The Company has developed a valuation approach to discount the identified population of leases and has implemented a software solution to assist with the increased accounting and disclosure requirements arising from the new standard and has implemented the necessary internal controls over the new processes.

The Company intends to apply this standard on a modified retrospective basis and expects to recognize on January 1, 2019, lease liabilities in the range of \$80,500 - 85,500 and right of use assets in the range of \$70,500 - \$75,500 (after reclassification of approximately \$10,000 of accrued and deferred lease payments recognized at December 31, 2018). The standard will result in a reduction in occupancy expense for lease costs under operating leases, but result in an increase in depreciation expense related to right of use assets capitalized, and an increase in finance costs due to interest costs on the lease liabilities. The Company expects to be in compliance with its existing financial covenants as disclosed in Note 27 upon adoption of this standard. The Company's Q1 2019 interim condensed consolidated financial statements will include the effects of applying this standard.

As a lessor, the Company does not expect a significant impact on adoption due to their subleasing arrangements.

International Financial Reporting Interpretations Committee 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments*, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The Company does not anticipate any significant impact of this standard on the consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

3. Summary of Significant Accounting Policies, cont'd

International Financial Reporting Standard 3, Business Combinations

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations*, that revises the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will now need to be an organized workforce. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. The Company has not yet determined the impact of this standard on the consolidated financial statements.

4. Adoption of Recent Accounting Pronouncements

International Financial Reporting Standard 15, Revenue from Contracts with Customers

IFRS 15, which was issued in May 2014, has superseded the revenue recognition requirements under IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. IFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Company applied this standard on a full retrospective basis using the practical expedients in paragraph C5, under which the Company:

- did not restate completed contracts, including completed contracts at the beginning of the earliest period presented and those that commenced and ended within the same annual reporting period;
- used the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and
- did not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.

The Company implemented the system functionality and internal controls required to support the change in accounting for revenues.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

4. Adoption of Recent Accounting Pronouncements, cont'd

The most significant impact of the standard relates to the accounting for on-premise ARGUS software solutions sold on a subscription basis in a right to use license arrangement. A portion of the revenues will be recognized at the time of delivery of the distinct license rather than ratably over the term of the subscription. This is expected to result in more variability in revenues based on the timing of contracts. Certain arrangements are for a right to access and revenues will continue to be recognized ratably over the term of the subscription. Revenue recognition may vary based on contract specific terms. The treatment of the related costs to obtain customer contracts is also impacted; however, the impact of the treatment for the previously reported results is not material.

Revenue recognition, including the treatment of the related costs to obtain customer contracts, for the other Altus Analytics offerings, Commercial Real Estate Consulting and Geomatics has remained substantially unchanged.

The Company is required to restate certain previously reported results on adoption of the standard on a full retrospective basis, including the recognition of a decrease in revenues and a decrease in income tax. In addition, adoption of the standard resulted in an increase in trade receivables and other, and a decrease in deferred revenue within trade payables and other, driven by upfront revenue recognition at the time of delivery of the distinct license and unbilled revenue on customer contracts.

This resulted in corresponding impacts to deferred income taxes and income taxes recoverable. Adoption of the standard had no impact on net cash provided by (used in) operating activities, financing activities or investing activities.

Impacts to Previously Reported Results

Consolidated Statements of Comprehensive Income (Loss)

Expressed in thousands of Canadian dollars, except for per share amounts

	Year ended December 31, 2017		
	As Reported	IFRS 15 Adjustments	As Restated
Revenues	\$ 478,137	\$ (1,575)	\$ 476,562
Income tax expense	29,378	(934)	28,444
Profit (loss) for the year attributable to shareholders	110,058	(641)	109,417
Other comprehensive income (loss)	(36,223)	(156)	(36,379)
Basic earnings (loss) per share	\$2.89	\$(0.01)	\$2.88
Diluted earnings (loss) per share	\$2.85	\$(0.02) ⁽¹⁾	\$2.83

⁽¹⁾ The difference in impact of IFRS 15 adjustments on the Company's basic and diluted EPS is due to rounding.

Altus Group Limited



Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

4. Adoption of Recent Accounting Pronouncements, cont'd

Consolidated Balance Sheets

Expressed in thousands of Canadian dollars

	January 1, 2017		
	As Reported	IFRS 15 Adjustments	As Restated
Trade receivables and other (current)	\$ 137,398	\$ (361)	\$ 137,037
Trade receivables and other (non-current)	613	517	1,130
Income taxes recoverable	4,530	(94)	4,436
Deferred income tax assets	21,962	(1,694)	20,268
Trade payables and other (current)	91,573	(4,459)	87,114
Trade payables and other (non-current)	18,924	392	19,316
Deferred income tax liabilities	9,375	(120)	9,255
Deficit	(184,898)	2,555	(182,343)

	December 31, 2017		
	As Reported	IFRS 15 Adjustments ⁽¹⁾	As Restated
Trade receivables and other (current)	\$ 143,626	\$ 41	\$ 143,667
Trade receivables and other (non-current)	4,601	366	4,967
Income taxes recoverable	5,741	(61)	5,680
Deferred income tax assets	15,933	(648)	15,285
Trade payables and other (current)	103,450	(1,996)	101,454
Trade payables and other (non-current)	30,422	-	30,422
Deferred income tax liabilities	27,640	(64)	27,576
Accumulated other comprehensive income	10,558	(156)	10,402
Deficit	(97,985)	1,914	(96,071)

⁽¹⁾ Adjustments include the cumulative impact for the beginning of the earliest period presented, January 1, 2017.

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December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

4. Adoption of Recent Accounting Pronouncements, cont'd

International Financial Reporting Standard 9, Financial Instruments

The Company adopted IFRS 9, *Financial Instruments*, issued in July 2014 with a date of initial application of January 1, 2018. The standard introduces a model for the classification and measurement of financial instruments, a single, forward-looking expected-loss impairment model that requires the recognition of expected credit losses and a substantially reformed approach for hedge accounting, with enhanced disclosures about risk management activity. Currently, the Company does not apply hedge accounting and is not impacted by those changes. IFRS 9 also removes the volatility in profit or loss that is caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. The requirements of IFRS 9 represent a significant change from IAS 39. In accordance with the transitional provisions in IFRS 9 (7.2.15), the Company has elected to not restate comparative figures.

The most significant impact of the standard relates to the accounting for expected credit losses on the financial assets, more specifically, trade receivables and contract assets for unbilled revenue on customer contracts. Under IFRS 9, the Company applies an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. This results in losses being recognized earlier.

The impact of the IFRS 9 adoption on the Company's deficit as at January 1, 2018 is as follows:

	January 1, 2018
Opening deficit - IAS 39 ⁽¹⁾	\$ (96,071)
Reclassify investments in partnerships from AFS to FVPL	(28)
Increase in provision for trade receivables and contract assets for unbilled revenue on customer contracts	(1,008)
Increase in deferred tax assets relating to impairment provisions	265
Adjustment to deficit on adoption of IFRS 9	(771)
Opening deficit - IFRS 9	\$ (96,842)

⁽¹⁾ Opening deficit after adoption of IFRS 15.

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4. Adoption of Recent Accounting Pronouncements, cont'd

Classification and measurement of financial instruments

On the date of initial application, the financial instruments with reclassifications were as follows:

	December 31, 2017			
	Classification and Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Assets as per Consolidated Balance Sheet:				
Cash and cash equivalents	FVPL	Amortized cost	\$ 28,070	\$ 28,070
Trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, prepayments and promissory notes receivable)	Loans and receivables - amortized cost	Amortized cost	102,004	102,004
Contract assets: unbilled revenue on customer contracts ⁽¹⁾	Loans and receivables - amortized cost	Asset within scope of IFRS 15	32,815	31,807
Promissory notes receivable	FVPL	FVPL	3,914	3,914
Investment in Real Matters ⁽²⁾	AFS	FVOCI	105,418	105,418
Investments in equity instruments	AFS	FVOCI	1,883	1,883
Investments in partnerships	AFS	FVPL	772	772
Derivative financial instruments	FVPL	FVPL	7,050	7,050
Liabilities as per Consolidated Balance Sheet:				
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	Other liabilities - amortized cost	Amortized cost	68,870	68,870
RSU Plan and DSU Plan payables	FVPL	FVPL	11,872	11,872
Contingent consideration payables	FVPL	FVPL	10,437	10,437
Borrowings	Other liabilities - amortized cost	Amortized cost	150,796	150,796
Derivative financial instruments	FVPL	FVPL	918	918

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Financial assets designated as FVOCI.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

4. Adoption of Recent Accounting Pronouncements, cont'd

On January 1, 2018, the Company's management assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 and classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassifications are as follows:

						January 1, 2018		
Financial Assets	Notes	FVPL	FVOCI (AFS in 2017)	Amortized cost (Loans and receivables in 2017) ⁽¹⁾	Total			
Opening balance - IAS 39	\$	39,034	\$	108,073	\$	133,811	\$	280,918
Reclassify cash and cash equivalents from FVPL to amortized cost	(i)	(28,070)	-	28,070			-	-
Reclassify investments in partnerships from AFS to FVPL	(ii)	772	(772)	-			-	-
Reclassify investments from AFS to FVOCI	(iii)	-	-	-			-	-
Opening balance - IFRS 9	\$	11,736	\$	107,301	\$	161,881	\$	280,918

⁽¹⁾ Includes contract assets for unbilled revenue on customer contracts. Restated for the impact of IFRS 15.

The impact of these changes on the Company's deficit is as follows:

					January 1, 2018
	Notes	AFS reserves	FVOCI reserves	Effect on deficit ⁽¹⁾	
Opening balance - IAS 39		\$ (26,460)	\$ -	\$ (96,071)	
Reclassify investments in partnerships from AFS to FVPL	(ii)	28	-	(28)	
Reclassify investments from AFS to FVOCI	(iii)	26,432	(26,432)	-	
Opening balance - IFRS 9		\$ -	\$ (26,432)	\$ (96,099)	

⁽¹⁾ Before adjustment to deficit on adoption of IFRS 9 and after adoption of IFRS 15.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

4. Adoption of Recent Accounting Pronouncements, cont'd

(i) *Reclassification from FVPL to amortized cost*

Cash and cash equivalents have been reclassified from FVPL to amortized cost. Cash and cash equivalents are deposits held with reputable financial institutions that pose minimal credit risk. The deposits are repayable on demand and interest, if any, is at a fixed or floating market rate. The Company's business model objective is to hold the deposits and the contractual cash flows represent solely payments of principal and interest. The fair value of cash and cash equivalents approximates its carrying value at amortized cost.

(ii) *Reclassification from AFS to FVPL*

Investments in partnerships of \$772 were reclassified from AFS to financial assets at FVPL. They do not meet the criteria for amortized cost because their cash flows do not represent solely payments of principal and interest. The related unrealized losses of \$28 were reclassified from the AFS reserves to retained earnings on January 1, 2018.

(iii) *Equity investments previously classified as AFS*

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS because these investments are held as strategic investments. The investments meet the definition of an equity instrument under IAS 32, *Financial Instruments: Presentation*. As such, an irrevocable election was made in accordance with IFRS 9 (5.7.5) to recognize dividend income to profit (loss), with no recycling of changes in fair value accumulated in equity through other comprehensive income. As a result, assets with a fair value of \$107,301 were reclassified from AFS to financial assets at FVOCI and the related unrealized losses of \$26,432 were reclassified from AFS reserves to financial assets at FVOCI reserves on January 1, 2018.

Impairment of financial assets

Financial assets subject to the impairment requirements related to the accounting for expected credit losses under IFRS 9 include trade receivables and contract assets for unbilled revenue on customer contracts. The Company applied the simplified approach to estimate expected credit losses which requires the loss allowance to be measured for lifetime expected credit losses. The Company applied the impairment guidance under IFRS 9 and the impact was an increase of \$1,008 to the provision.

International Financial Reporting Standard 2, Share-based Payment

The IASB issued amendments to IFRS 2, *Share-based Payment*, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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4. Adoption of Recent Accounting Pronouncements, cont'd

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018. The adoption of these amendments did not have any impact to the consolidated financial statements.

5. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying accounting policies.

Revenue recognition and determination and allocation of the transaction price

The Company estimates variable consideration for contingency arrangements on a project-by-project basis. Variable consideration is constrained only to the extent that it is highly probable that the amount will be subject to significant reversal when the uncertainty is resolved, which is when savings are realized by the customer, unless the contractual terms provide for an enforceable right to payment for performance completed.

The transaction price is allocated on the basis of the relative standalone selling prices for contracts with more than one performance obligation. Estimation of the standalone selling price involves reasonably available data points, market conditions, entity-specific factors and information about the customer or class of customer and to similar customers as evidence of the standalone selling price for each performance obligation; however, when one is not available, the standalone selling price is estimated. Where the observable price is not available, based on the specific facts and circumstances, either the adjusted market assessment or expected cost plus a margin approach is applied. The determination of the standalone selling prices requires significant judgment.

Impairment of trade receivables and contract assets

The impairment provisions for trade receivables and contract assets disclosed in Notes 11 and 26 determined under IFRS 9 are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions and forward-looking estimates at the end of each reporting period. Such estimates and judgments could impact trade receivables, contract assets for unbilled revenue on customer contracts and office and other operating expenses.

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5. Critical Accounting Estimates and Judgments, cont'd

Allowance for doubtful accounts

Under IAS 39, estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance and the credit worthiness of the customer. An allowance is established when the likelihood of collecting the account has significantly diminished. Refer to Notes 11 and 26 for the carrying value of allowance for doubtful accounts.

Estimated impairment of goodwill

The Company tests at least annually whether goodwill is subject to any impairment in accordance with the accounting policy stated in Note 3. The recoverable amount for any CGU is determined based on the higher of fair value less costs to sell and value in use. Both of the valuation approaches require the use of estimates.

Intangibles

Intangibles are acquired assets that lack physical substance and that meet the specified criteria for recognition separately from goodwill. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates.

Determination of purchase price allocations and contingent consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. Refer to Notes 17 and 26 for the carrying value of contingent consideration payable.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes in the period in which such determination is made. Refer to Note 10 for the income tax movements.

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6. Acquisitions

Acquisitions in 2018

Acquisition of New Market Real Estate Group, LLC

On January 1, 2018, the Company acquired certain operating assets of New Market Real Estate Group, LLC ("New Market") for \$1,004 in common shares. The common shares will be held in escrow and released on the third anniversary of the closing date, subject to compliance with certain terms and conditions. As part of the transaction, the Company entered into a non-compete agreement with a key member of management of New Market. Based in Maryland and founded in 2001, New Market offers a full range of real estate services throughout the United States including real estate research, valuation, acquisition, investment analysis and counselling services. The addition of New Market strengthens the Company's real estate advisory services offerings by enhancing the Company's depth of valuation expertise to better serve its large institutional investors.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

Acquisition of Aspect Property Consultants LLP

On February 14, 2018, the Company acquired certain operating assets of Aspect Property Consultants LLP ("Aspect") for £4,250 (CAD\$7,421) in cash, common shares and contingent consideration. As consideration for these assets, the Company paid cash of £1,760 (CAD\$3,073) and common shares of £620 (CAD\$1,083) and the Company estimated contingent consideration of £1,870 (CAD\$3,265). As part of the transaction, the Company entered into non-compete agreements with key management of Aspect. With offices located in London, Heathrow and Basingstoke, U.K. and founded in 2009, Aspect is a commercial property consultancy firm specializing in the South East U.K. business space market with a particular focus on the West London warehouse market. The addition of Aspect expands the Company's market share and strengthens the Company's offerings with complementary service lines in the U.K. in support of the Company's current growth initiatives. The purchase agreement provides for maximum contingent consideration of £2,620, subject to certain performance targets being achieved over a two-year period from the closing date. The common shares will be held in escrow and released in three annual installments commencing on the first anniversary of the closing date, subject to compliance with certain terms and conditions.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares. In addition, the consideration transferred for the acquired business includes a discount on the contingent consideration payable to reflect the time value of money.

Notes to Consolidated Financial Statements

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

6. Acquisitions, cont'd

Acquisition of Taliance Group SAS

On July 1, 2018, the Company acquired all the issued and outstanding shares of Taliance Group SAS and its subsidiaries ("Taliance") for €20,000 (CAD\$30,668) in cash and common shares, subject to closing adjustments. On closing, €2,160 (CAD\$3,312) of common shares were issued from treasury and the remainder of the purchase price was paid with cash drawn from the revolving term facility. The common shares will be held in escrow and released in three annual installments commencing on the first anniversary of the closing date, subject to compliance with certain terms and conditions.

Taliance provides cloud-based collaborative business solutions to alternative investment firms globally allowing them to improve their modelling, forecasting and risk management processes in real time. Based in Paris, Taliance also has offices in London and New York. The addition of Taliance, which can be deployed and integrated with ARGUS Enterprise, allows the Company to expand its position in Europe and to deliver cloud software solutions with a comprehensive investment management capability that provides flexibility and transparency to manage the most complex investment structures and scenarios. Taliance also provides a foundation for growth in the fund management segment of the market globally.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

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6. Acquisitions, cont'd

The purchase price allocation is based on management's best estimate of fair value. The actual amount allocated to certain identifiable net assets could vary as the purchase price allocation is finalized. The purchase price allocation at the acquisition date is as follows:

	Year ended December 31, 2018			
	New Market	Aspect	Taliance	Total
Acquisition-related costs (included in acquisition and related transition costs in the consolidated statements of comprehensive income (loss))	\$ 46	\$ 130	\$ 1,012	\$ 1,188
Consideration:				
Cash	\$ -	\$ 3,073	\$ 26,330	\$ 29,403
Common shares	1,004	1,083	3,312	5,399
Contingent consideration	-	3,265	-	3,265
	1,004	7,421	29,642	38,067
Less: discount on common shares	(351)	(325)	(994)	(1,670)
Less: discount on contingent consideration	-	(315)	-	(315)
	653	6,781	28,648	36,082
Less: consideration transferred for non-compete agreements	(238)	(2,064)	-	(2,302)
Consideration transferred for acquired businesses	415	4,717	28,648	33,780
Recognized amounts of identifiable assets acquired and liabilities assumed:				
Cash and cash equivalents	-	-	2,211	2,211
Trade receivables and other	-	-	2,429	2,429
Trade payables and other	-	-	(4,450)	(4,450)
Property, plant and equipment	-	-	44	44
Borrowings	-	-	(247)	(247)
Deferred income taxes, net	-	(813)	(3,521)	(4,334)
Intangibles	78	2,718	12,517	15,313
Total identifiable net assets of acquired businesses	78	1,905	8,983	10,966
Goodwill	\$ 337	\$ 2,812	\$ 19,665	\$ 22,814
Goodwill and intangibles deductible for tax purposes	\$ 1,004	\$ -	\$ -	\$ 1,004

Goodwill arising from the acquisitions relate to expected synergies with the existing businesses and the opportunities to strengthen and complement offerings with greater breadth and depth to both existing and acquired clients.

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6. Acquisitions, cont'd

New Market has been fully integrated with Altus Analytics and the stand-alone revenues and profit (loss) cannot be determined.

Revenues for Aspect for the period from February 14, 2018 to December 31, 2018 that are included in the consolidated statements of comprehensive income (loss) are \$2,281. Expenses for Aspect have been fully integrated with Property Tax and the stand-alone profit (loss) cannot be determined.

Revenues and profit (loss) for Taliance for the period from July 1, 2018 to December 31, 2018 that are included in the consolidated statement of comprehensive income (loss) are \$2,504 and \$(1,918), respectively.

The pro-forma revenues and profit (loss) of the combined entity for the year ended December 31, 2018 would have been \$515,049 and \$(18,474), respectively, assuming the acquisitions were completed on January 1, 2018.

For all acquisitions, the intangibles acquired are as follows:

	Year ended December 31, 2018			
	New Market	Aspect	Taliance	Total
Finite-life assets				
Non-compete agreements	\$ 238	\$ 2,064	\$ -	\$ 2,302
Customer lists	-	1,992	986	2,978
Customer backlog	78	726	-	804
Internally generated software	-	-	11,531	11,531
	\$ 316	\$ 4,782	\$ 12,517	\$ 17,615

Acquisitions in 2017

Acquisition of Axiom Cost Consulting Inc.

On February 1, 2017, the Company acquired all the issued and outstanding shares of Axiom Cost Consulting Inc. ("Axiom") for \$900 in cash and common shares, subject to working capital adjustments. As consideration for these shares, the Company paid cash of \$600 and common shares of \$300 (equivalent to 10,005 common shares). The common shares will be held in escrow and released in three equal annual installments commencing on the first anniversary of the closing date, subject to compliance with certain terms and conditions. As part of the transaction, the Company entered into non-compete agreements with key management of Axiom. Founded in 2009 and operating in Calgary, Edmonton and Vancouver, Axiom specializes in cost management and loan monitoring. The addition of Axiom enabled the Company to expand its market share in Western Canada. On February 1, 2017, Axiom was wound up and its assets were transferred to Altus Group Limited.

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6. Acquisitions, cont'd

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

Acquisition of EstateMaster Group Holdings Pty Limited

On March 1, 2017, the Company acquired all the issued and outstanding shares of EstateMaster Group Holdings Pty Limited ("EstateMaster") and its subsidiaries for \$20,098 in cash and common shares, subject to working capital adjustments. As consideration for these shares, the Company paid cash of \$15,143 and common shares of \$4,955 (equivalent to 159,415 common shares). The common shares will be held in escrow and released in three annual installments commencing on the first anniversary of the closing date, subject to compliance with certain terms and conditions. As part of the transaction, the Company entered into non-compete agreements with key management of EstateMaster. EstateMaster provides software solutions for property development and management. Headquartered in Sydney, Australia, EstateMaster also has offices in Dubai, UAE and Manchester, U.K. The addition of EstateMaster expanded the Company's market share and strengthened its product offerings.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

Acquisition of CVS (Commercial Valuers & Surveyors) Limited

On November 1, 2017, the Company acquired all the issued and outstanding shares of CVS (Commercial Valuers & Surveyors) Limited ("CVS"), a property tax service provider in the U.K. that specializes in business rates services. Altus Group paid a total of £30,300 (CAD\$51,595) in cash on closing, subject to working capital adjustments of £316 (CAD\$538), with an additional £6,000 (CAD\$10,217) payable two years from the closing date, subject to compliance with certain terms and conditions. On closing, £25,300 (CAD\$43,081) was from cash on hand and £5,000 (CAD\$8,514) was drawn from the revolving term facility. As part of the transaction, the Company entered into non-compete agreements with key management of CVS. The acquisition of CVS positions Altus Group as the largest business rates advisor in the U.K. based on volume of appeals filed, and more than doubles the size of its legacy business in the U.K. CVS's team of approximately 230 professionals forms part of the Company's U.K. Property Tax division, strengthening its business rates expertise. As the acquisition provides the Company with greater scale and synergistic opportunities, it positions the Company for growth and expands its database on comparable property information in a key real estate market, allowing the Company to better serve its clients in appeals and lease negotiations.

Altus Group Limited



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6. Acquisitions, cont'd

For accounting purposes, the consideration transferred for the acquired business includes a discount on the contingent consideration payable to reflect the time value of money.

Revision of contingent consideration payable for Maxwell Brown

In 2017, the Company revised its estimate of the contingent consideration payable related to the Maxwell Brown Surveyors Group Limited acquisition completed on June 1, 2015 resulting in an expense of \$412, in acquisition and related transition costs (Note 26).

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6. Acquisitions, cont'd

The purchase price allocation is as follows:

	Year ended December 31, 2017			
	Axiom	EstateMaster	CVS	Total
Acquisition related costs (included in acquisition and related transition costs in the consolidated statements of comprehensive income (loss))	\$ 43	\$ 390	\$ 1,006	\$ 1,439
Consideration:				
Cash	\$ 600	\$ 15,143	\$ 52,133	\$ 67,876
Common shares	300	4,955	-	5,255
Contingent consideration	-	-	10,217	10,217
	900	20,098	62,350	83,348
Less: discount on common shares	(90)	(1,486)	-	(1,576)
Less: discount on contingent consideration	-	-	(950)	(950)
	810	18,612	61,400	80,822
Less: consideration transferred for non-compete agreements	(160)	(211)	(9,876)	(10,247)
Consideration transferred for acquired businesses	650	18,401	51,524	70,575
Recognized amounts of identifiable assets acquired and liabilities assumed:				
Cash and cash equivalents	-	468	4,502	4,970
Trade receivables and other	393	586	4,950	5,929
Income taxes recoverable (payable)	10	328	(5,667)	(5,329)
Trade payables and other	(253)	(1,245)	(4,600)	(6,098)
Deferred income taxes, net	(142)	(3,732)	(8,281)	(12,155)
Property, plant and equipment	16	-	424	440
Finance lease liabilities	(16)	-	-	(16)
Intangibles	368	12,302	35,863	48,533
Total identifiable net assets of acquired businesses	376	8,707	27,191	36,274
Goodwill	\$ 274	\$ 9,694	\$ 24,333	\$ 34,301
Goodwill and intangibles deductible for tax purposes	\$ -	\$ -	\$ -	\$ -

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6. Acquisitions, cont'd

Axiom has been fully integrated with Valuation and Cost Advisory and the stand-alone revenues and profit (loss) cannot be determined.

Revenues and profit (loss) for EstateMaster for the period from March 1, 2017 to December 31, 2017 that are included in the consolidated statements of comprehensive income (loss) are \$3,886 and \$(344), respectively.

Revenues and profit (loss) for CVS for the period from November 1, 2017 to December 31, 2017 that are included in the consolidated statements of comprehensive income (loss) are \$2,511 and \$(3,861), respectively.

The pro-forma revenues and profit (loss) of the combined entity for the year ended December 31, 2017 would have been \$494,675 and \$108,891, respectively, assuming the acquisitions were completed on January 1, 2017.

For all acquisitions, the intangibles acquired are as follows:

	Year ended December 31, 2017			
	Axiom	EstateMaster	CVS	Total
Finite-life assets				
Non-compete agreements	\$ 160	\$ 211	\$ 9,876	\$ 10,247
Customer lists	368	4,255	4,986	9,609
Brands	-	988	8,066	9,054
Internally generated software	-	7,059	2,564	9,623
Customer backlog	-	-	20,247	20,247
	\$ 528	\$ 12,513	\$ 45,739	\$ 58,780

7. Segmented Information

The segmentation reflects the way the CEO allocates resources and assesses performance. The CEO considers the business from a core service perspective. The areas of core service are Altus Analytics, Commercial Real Estate Consulting and Geomatics.

Altus Analytics provides data, analytics software and technology-related services. Proprietary data and data analytics platforms provide comprehensive real estate information and enable performance reviews, benchmarking and attribution analysis of commercial real estate portfolios. Software, such as ARGUS branded products, represents comprehensive global solutions for managing commercial real estate portfolios and improve the visibility and flow of information throughout critical business processes.

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7. Segmented Information, cont'd

Commercial Real Estate Consulting services - Property Tax, and Valuation and Cost Advisory services - span the life cycle of commercial real estate - feasibility, development, acquisition, management and disposition. Property Tax performs assessment reviews, management, appeals and personal property and state and local tax advisory services. Valuation and Cost Advisory provides appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting, in addition to services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management.

Geomatics delivers land surveys and mapping for setting of property boundaries, route and corridor selection, land settlement, construction developments, and oil field and well-sites.

The CEO assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit (loss) before income taxes adjusted for the effects of finance costs, amortization of intangibles, depreciation of property, plant and equipment, acquisition and related transition costs, restructuring costs, share of loss of associates, unrealized foreign exchange gains (losses), losses on disposal of property, plant and equipment, gains (losses) on investments, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on derivatives, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature.

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7. Segmented Information, cont'd

A reconciliation of Adjusted EBITDA to profit (loss) is provided as follows:

	Year ended December 31, 2018	Year ended December 31, 2017 ⁽¹⁾
Adjusted EBITDA for reportable segments	\$ 70,904	\$ 80,645
Depreciation of property, plant and equipment	(8,089)	(7,260)
Amortization of intangibles	(41,025)	(29,184)
Acquisition and related transition costs	(2,394)	(3,319)
Share of loss of associates	-	(2,420)
Unrealized foreign exchange gain (loss) ⁽²⁾	981	(849)
Loss on disposal of property, plant and equipment ⁽²⁾	(1,617)	(862)
Non-cash Executive Compensation Plan costs ⁽³⁾	(5,867)	(4,638)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽³⁾	(1,276)	41
Gain (loss) on derivatives ⁽²⁾	268	(21)
Restructuring costs	(6,371)	(4,739)
Gain on investments ⁽⁴⁾ (Note 13)	43	115,179
Impairment of Geomatics	(13,700)	-
Other non-operating and/or non-recurring income (costs) ⁽⁵⁾	(2,953)	(1,079)
Finance costs, net	(6,701)	(3,633)
Profit (loss) before income taxes	(17,797)	137,861
Income tax expense	(642)	(28,444)
Profit (loss) for the year	\$ (18,439)	\$ 109,417

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

⁽²⁾ Included in office and other operating expenses in the consolidated statements of comprehensive income (loss).

⁽³⁾ Included in employee compensation expenses in the consolidated statements of comprehensive income (loss).

⁽⁴⁾ Gain on investments for the year ended December 31, 2018 relate to changes in fair value of investments in partnerships. Gain on investments for the year ended December 31, 2017 relates to the partial deemed disposition of the Company's investment in Real Matters and re-measurement of the Company's retained interest.

⁽⁵⁾ Other non-operating and/or non-recurring income (costs) for the year ended December 31, 2018 relate to (i) non-recurring legal matters and related costs, (ii) transactional costs for tax planning and restructuring of legal entities within the group and (iii) costs related to the departures of certain senior executives. Other non-operating and/or non-recurring income (costs) for the year ended December 31, 2017 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the consolidated statements of comprehensive income (loss).

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7. Segmented Information, cont'd

The following summary presents certain financial information regarding the Company's segments:

Segment Revenues and Expenditures

	Year ended December 31, 2018							
	Altus Analytics	Commercial Real Estate	Valuation and Cost Property Tax Advisory	Consulting Total	Geomatics	Corporate ⁽¹⁾	Eliminations	Total
Revenues from external customers	\$ 182,700	\$ 176,734	\$ 107,369	\$ 284,103	\$ 43,626	\$ -	\$ -	\$ 510,429
Inter-segment revenues	728	-	(155)	(155)	6	-	(579)	-
Total segment revenues	183,428	176,734	107,214	283,948	43,632	-	(579)	510,429
Adjusted EBITDA	41,478	36,029	12,791	48,820	3,598	(22,992)	-	70,904
Depreciation and amortization	14,313	26,338	2,719	29,057	3,760	1,984	-	49,114
Impairment charge	-	-	-	-	13,700	-	-	13,700
Income tax expense	-	-	-	-	-	642	-	642
Finance costs, net	-	-	-	-	-	6,701	-	6,701

⁽¹⁾ Corporate includes global corporate office costs, finance costs and income tax expense.

Unsatisfied performance obligations on fixed long-term customer contracts within Altus Analytics are \$29,018 as of December 31, 2018. It is expected that approximately 40% of the fixed customer contract value will be recognized as revenue over the next 12 months, approximately 30% in the year following, and the balance thereafter. This amount excludes contract values that have variable or contingency based arrangements which account for a significant portion of the revenue recognized in the current year.

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7. Segmented Information, cont'd

	Year ended December 31, 2017 ⁽¹⁾							
	Altus Analytics	Commercial Real Estate	Consulting	Geomatics	Corporate ⁽²⁾	Eliminations	Total	
		Property Tax	Valuation and Cost Advisory	Total				
Revenues from external customers	\$ 166,605	\$ 158,690	\$ 102,738	\$ 261,428	\$ 48,529	\$ -	\$ -	\$ 476,562
Inter-segment revenues	1,055	6	(227)	(221)	7	-	(841)	-
Total segment revenues	167,660	158,696	102,511	261,207	48,536	-	(841)	476,562
Adjusted EBITDA	46,837	40,346	12,039	52,385	3,493	(22,070)	-	80,645
Depreciation and amortization	13,847	13,644	2,545	16,189	4,103	2,305	-	36,444
Income tax expense	-	-	-	-	-	28,444	-	28,444
Finance costs, net	-	-	-	-	-	3,633	-	3,633
Share of loss of associates	-	-	-	-	-	2,420	-	2,420

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

⁽²⁾ Corporate includes global corporate office costs, finance costs, share of loss of associates and income tax expense.

Geographic Information - Revenue from External Customers

	Year ended December 31, 2018	Year ended December 31, 2017
Canada	\$ 210,213	\$ 213,968
U.S.	180,970	178,563
Europe	86,700	53,728
Asia Pacific	32,546	30,303
Total	\$ 510,429	\$ 476,562

8. Employee Compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and benefits	\$ 321,157	\$ 282,575
Share-based compensation (Note 23)	9,455	12,598
	\$ 330,612	\$ 295,173

Included in salaries and benefits are termination benefits of \$2,048 (2017 - \$146).

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9. Finance Costs, Net

	Year ended December 31, 2018	Year ended December 31, 2017
Interest on bank credit facilities	\$ 6,013	\$ 4,650
Interest on convertible debentures	-	180
Interest on finance lease liabilities	35	82
Contingent consideration payables: unwinding of discount (Note 26)	648	168
Provisions: unwinding of discount (Note 17)	36	9
Change in fair value of Altus UK LLP Class B and D units, net of change in fair value of related equity derivative	-	32
Change in fair value of interest rate swaps (not designated as cash flow hedges)	218	(1,362)
Finance costs	6,950	3,759
Finance income	(249)	(126)
Finance costs, net	\$ 6,701	\$ 3,633

10. Income Taxes

	Year ended December 31, 2018	Year ended December 31, 2017 ⁽¹⁾
Current income taxes:		
Current income tax on profits for the year	\$ 12,644	\$ 13,879
Adjustments in respect of prior years	65	477
Total current income taxes	12,709	14,356
Deferred income taxes:		
Origination and reversal of temporary differences	(12,174)	8,763
Adjustments in respect of prior years	100	(427)
Change in income tax rates	7	5,752
Total deferred income taxes	(12,067)	14,088
Income tax expense	\$ 642	\$ 28,444

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

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10. Income Taxes, cont'd

The reconciliation between income tax expense and the tax applicable to profits in Canada is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017 ⁽¹⁾	
Profit (loss) before income taxes	\$	(17,797)	\$	137,861
Tax calculated at domestic income tax rate applicable to profits in Canada		(4,787)	37,085	26.90%
Tax effects of:				
Impact of countries with different income tax rates		1,653	4,900	3.55%
Impairment charge		2,290	-	-
Loss (profit) not subject to income taxes		(62)	(19,310)	(14.01%)
Change in income tax rates		7	5,752	4.17%
Expenses not deductible for income tax purposes		1,123	(368)	(0.27%)
Other		418	385	0.29%
Income tax expense	\$	642	\$	28,444

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

Deferred Income Taxes

The gross movement on the deferred income taxes account is as follows:

	Amount
Balance as at January 1, 2017	\$ 12,587
Charged to profit or loss	(15,049)
Credited to other comprehensive income (loss)	4,054
Charged to goodwill on account of acquisitions	(12,256)
Exchange differences	(1,043)
Balance as at December 31, 2017	(11,707)
Adjustment on adoption of IFRS 15	(584)
Balance as at January 1, 2018	(12,291)
Credited to profit or loss	12,067
Credited to other comprehensive income (loss)	6,892
Charged to goodwill on account of acquisitions	(4,273)
Exchange differences and others	944
Balance as at December 31, 2018	\$ 3,339

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10. Income Taxes, cont'd

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Non-capital Income Tax Losses	Tax Deductible Goodwill	Other	Total
Deferred income tax assets				
Balance as at January 1, 2017	\$ 8,062	\$ 16,808	\$ 17,806	\$ 42,676
Charged to profit or loss	(3,621)	(3,326)	(3,904)	(10,851)
Exchange differences	(524)	(1,301)	(575)	(2,400)
Balance as at December 31, 2017	3,917	12,181	13,327	29,425
Adjustment on adoption of IFRS 15	-	-	(648)	(648)
Balance as at January 1, 2018	3,917	12,181	12,679	28,777
Credited to profit or loss	(481)	2,502	(1,329)	692
Exchange differences and others	309	1,019	875	2,203
Balance as at December 31, 2018	\$ 3,745	\$ 15,702	\$ 12,225	\$ 31,672

	Accelerated Tax Depreciation	Unbilled Revenue on Customer Contracts	Intangibles	Other	Total
Deferred income tax liabilities					
Balance as at January 1, 2017	\$ (996)	\$ (707)	\$ (26,896)	\$ (1,490)	\$ (30,089)
(Charged) credited to profit or loss	727	(27)	10,181	(15,079)	(4,198)
Credited to other comprehensive income (loss)	-	-	-	4,054	4,054
Charged to goodwill on account of acquisitions	-	-	(12,256)	-	(12,256)
Exchange differences	-	-	1,357	-	1,357
Balance as at December 31, 2017	(269)	(734)	(27,614)	(12,515)	(41,132)
Adjustment on adoption of IFRS 15	-	-	-	64	64
Balance as at January 1, 2018	(269)	(734)	(27,614)	(12,451)	(41,068)
Credited to profit or loss	183	156	5,925	5,111	11,375
Credited to other comprehensive income (loss)	-	-	-	6,892	6,892
Charged to goodwill on account of acquisitions	-	-	(4,273)	-	(4,273)
Exchange differences and others	-	-	(1,174)	(85)	(1,259)
Balance as at December 31, 2018	\$ (86)	\$ (578)	\$ (27,136)	\$ (533)	\$ (28,333)

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10. Income Taxes, cont'd

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on future estimated profits in excess of the profits arising on the reversal of existing taxable temporary differences. Evidence supporting recognition of these deferred income tax assets includes earnings forecasts and the utilization of tax losses in the current year.

As at December 31, 2018, there are recognized net operating loss carryforwards from U.S. acquisitions, which may be applied against taxable income of future years, no later than as follows:

	Amount
2019	\$ 3,655
2020	3,655
2021	3,655
2022	1,413
2023 - 2024	2,390
	\$ 14,768

Net operating losses of \$94,297 in the U.S. were not benefitted on acquisition due to certain limitations. These losses will expire between 2019 and 2021.

In Europe, there are unrecognized loss carryforwards of approximately \$5,429 that may be carried forward indefinitely. Net operating losses of approximately \$2,066 are recognized that may be carried forward indefinitely, which may be applied against taxable income of future years.

The Company has net operating losses of approximately \$506 in Asia Pacific that are recognized and may be carried forward indefinitely. It has unrecognized net operating loss carryforwards in Asia Pacific of approximately \$5,364 that are available to reduce taxable income of certain foreign subsidiaries; \$905 of losses expire between 2019 and 2023 and \$4,459 of losses may be carried forward indefinitely.

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11. Trade Receivables and Other

	December 31, 2018	December 31, 2017 ⁽¹⁾
Trade receivables	\$ 108,868	\$ 108,741
Less: loss allowance provision (Note 26)	9,013	7,846
Trade receivables, net	99,855	100,895
Contract assets: unbilled revenue on customer contracts ⁽²⁾	43,224	32,815
Deferred costs to obtain customer contracts	1,003	333
Prepayments	12,114	9,568
Promissory notes receivable	6,552	3,914
Other receivables	525	1,109
Balance as at December 31, 2018	163,273	148,634
Less non-current portion	(8,975)	(4,967)
	\$ 154,298	\$ 143,667

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

⁽²⁾ On December 31, 2018, contract assets are stated net of expected credit losses of \$1,056 (2017 - \$nil). (Note 26)

On March 17, 2017, the Company advanced US\$3,000 to Waypoint Building Group, Inc. ("Waypoint") in the form of a promissory note, with simple interest accrued at an annual rate of 5% and payable on maturity, 24 months from the date of issuance. On July 3, 2018, the Company further advanced US\$1,500 to Waypoint in the form of a promissory note, with simple interest accrued at an annual rate of 5% and payable on maturity, 24 months from the date of issuance. These promissory notes contain conversion features which are applicable on maturity or upon the occurrence of certain events such as an equity financing or corporate transaction. The Company has classified the promissory note as a financial asset measured at FVPL.

Waypoint is an early-stage data analytics company. Founded in 2009, Waypoint is a San Francisco-based commercial real estate technology company that provides real-time local market operating expense information and benchmarking solutions to the North American commercial real estate market.

For the year ended December 31, 2018, \$522 (2017 - \$nil) of amortization associated with deferred costs to obtain customer contracts was expensed to the consolidated statements of comprehensive income (loss). For the year ended December 31, 2018, no impairment losses on deferred costs were recognized (2017 - \$nil).

Contract assets increased primarily as a result of timing differences between work performed and billings in the Commercial Real Estate Consulting segment. In addition, contract assets increased in the Altus Analytics segment on software solutions sold on a subscription basis in a right to use license arrangement which results in contract assets that arise from timing differences between billings and revenue recognition.

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12. Derivative Financial Instruments

	December 31, 2018	December 31, 2017
Assets		
Equity derivatives	\$ 450	\$ 6,189
Interest rate swaps	642	861
Less: non-current portion	(614)	(6,029)
	\$ 478	\$ 1,021
Liabilities		
Currency forward contracts	-	918
	\$ -	\$ 918

The following equity derivatives were outstanding as at December 31, 2018 and 2017:

Effective Date	Description	Contract Expiry	December 31, 2018		December 31, 2017	
			Notional Amount	Fair Value	Notional Amount	Fair Value
March 28, 2014	Hedging 110,467 (2017 - 103,375) DSUs	March 22, 2019 ⁽¹⁾	\$ 2,552	\$ 53	\$ 2,309	\$ 1,506
May 15, 2015	Hedging nil (2017 - 58,620) RSUs relating to 2014 performance year	May 15, 2018	-	-	1,142	1,021
April 1, 2016	Hedging 141,192 (2017 - 151,561) RSUs relating to 2015 performance year	April 3, 2019	2,855	478	3,065	2,529
April 3, 2017	Hedging 99,640 (2017 - 82,142) RSUs relating to 2016 performance year	March 31, 2020	2,381	(32)	1,897	1,133
March 8, 2018	Hedging 93,523 (2017 - nil) RSUs relating to 2017 performance year	April 2, 2021	2,254	(49)	-	-
			\$ 10,042	\$ 450	\$ 8,413	\$ 6,189

⁽¹⁾ Subject to an automatic one-year extension, unless prior notice is given by the Company.

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12. Derivative Financial Instruments, cont'd

The following interest rate swaps were outstanding in aggregate as at December 31, 2018 and 2017:

			December 31, 2018		December 31, 2017	
Effective Date	Fixed Interest Rate (per annum)	Notional Amount	Fair Value	Fair Value	Fair Value	Contract Expiry
May 15, 2015	1.48%	\$ 65,000	\$ 642	\$ 861		May 15, 2020

The Company entered into currency forward contracts to manage its foreign exchange exposure between the Great British Pound and the U.S. Dollar as follows:

			December 31, 2018		December 31, 2017	
Effective Date	Currency Forward Rate	Notional Amount	Fair Value	Fair Value	Fair Value	Contract Expiry
October 25, 2017	1.327	USD\$ 32,000	\$ -	\$ (918)		April 25, 2018

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13. Investments

	December 31, 2018	December 31, 2017
Investment in Real Matters	\$ -	\$ 105,418
Investments in equity instruments	3,408	1,883
Investments in partnerships	1,495	772
	\$ 4,903	\$ 108,073

The activity in the Company's investment in Real Matters is as follows:

	Amount
As at January 1, 2017	\$ 23,190
Share of loss	(2,420)
Share of other comprehensive income	390
Gain on investment in associate	114,796
As at May 11, 2017	135,956
Change in fair value of AFS investment	(30,538)
As at December 31, 2017	105,418
Change in fair value	(51,245)
Net proceeds of disposal	(54,173)
As at December 31, 2018	\$ -

In January 2017, the investment held by the Company in Real Matters was diluted due to an additional 1,499,995 common shares issued in connection with an arrangement Real Matters had with certain shareholders. In addition, 2,309,304 common shares were issued in connection with options exercised prior to their initial public offering. These transactions reduced the Company's equity interest from 13.9% to 13.8%. The partial deemed disposition of the Company's investment resulted in a loss of \$492 with a corresponding decrease to the carrying value of the investment in Real Matters.

On May 5, 2017, Real Matters filed a final prospectus and announced pricing of its initial public offering of common shares at \$13.00 per common share. Prior to closing, Real Matters effected a share consolidation on a two-for-one basis. On May 11, 2017, its initial public offering was completed and Real Matters issued 9,620,000 common shares pursuant to its initial public offering of common shares. The Company ceased to have significant influence at that time. These transactions reduced the Company's equity interest from 13.8% to 12.0%. In the second quarter of 2017, the partial deemed dispositions of the Company's investment and re-measurement of the Company's retained interest resulted in a gain of \$115,671. Subsequently, the Company has classified its equity interest in Real Matters as an AFS investment. As of January 1, 2018, the Company designated the equity interest in Real Matters to be carried at FVOCI upon transition to IFRS 9.

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13. Investments, cont'd

In September 2018, the Company sold its investment in Real Matters for net proceeds of \$54,173. The loss included in other comprehensive income (loss) up to the date of disposition of \$70,783 was transferred to retained earnings. In October 2018, the proceeds were used to reduce the borrowings under the bank credit facilities.

For the year ended December 31, 2018, the Company invested \$1,936 (2017 - \$2,704) in certain equity instruments. A designation has been made to carry these instruments at FVOCI. Investments in partnerships of \$1,495 (2017 - \$772) were reclassified from AFS in accordance with IAS 39 to financial assets measured at FVPL in accordance with IFRS 9 (Note 4). They do not meet the criteria for amortized cost because their cash flows do not represent solely payments of principal and interest.

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14. Property, Plant and Equipment

	Leasehold Improvements	Furniture, Fixtures and Equipment	Computer Equipment	Total
Balance as at January 1, 2017				
Cost	\$ 15,914	\$ 27,596	\$ 17,949	\$ 61,459
Accumulated depreciation	(6,525)	(17,821)	(10,466)	(34,812)
Net book amount	9,389	9,775	7,483	26,647
Year ended December 31, 2017				
Opening net book amount	9,389	9,775	7,483	26,647
Exchange differences	(230)	(108)	(150)	(488)
Additions	5,655	3,782	2,410	11,847
Acquisitions (Note 6)	16	194	230	440
Disposals	(49)	(321)	(442)	(812)
Depreciation charge	(1,855)	(3,072)	(2,333)	(7,260)
Closing net book amount	12,926	10,250	7,198	30,374
Balance as at December 31, 2017				
Cost	20,334	29,360	16,681	66,375
Accumulated depreciation	(7,408)	(19,110)	(9,483)	(36,001)
Net book amount	12,926	10,250	7,198	30,374
Year ended December 31, 2018				
Opening net book amount	12,926	10,250	7,198	30,374
Exchange differences	300	176	228	704
Additions	4,544	3,545	3,456	11,545
Acquisitions (Note 6)	8	-	36	44
Disposals	(151)	(369)	(861)	(1,381)
Depreciation charge	(2,392)	(3,216)	(2,481)	(8,089)
Closing net book amount	15,235	10,386	7,576	33,197
Balance as at December 31, 2018				
Cost	24,716	31,360	15,858	71,934
Accumulated depreciation	(9,481)	(20,974)	(8,282)	(38,737)
Net book amount	\$ 15,235	\$ 10,386	\$ 7,576	\$ 33,197

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14. Property, Plant and Equipment, cont'd

The Company leases various furniture, fixtures and equipment and computer equipment under non-cancellable finance leases. The maximum remaining lease term is four years.

Furniture, fixtures and equipment include assets held under finance leases amounting to \$2,289 (2017 - \$2,360) and accumulated depreciation of \$1,388 (2017 - \$1,200). Computer equipment includes assets held under finance leases amounting to \$1,000 (2017 - \$991) and accumulated depreciation of \$638 (2017 - \$542). Additions to assets held under finance leases for the year ended December 31, 2018 were \$nil (2017 - \$74).

Leasehold improvements include tenant inducements amounting to \$6,776 (2017 - \$4,448) and accumulated depreciation of \$2,554 (2017 - \$1,865).

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15. Intangibles

	Brands of Acquired Businesses	Computer Application Software	Custom Software Applications	Internally Generated Software	Customer Backlog	Customer Lists	Databases	Non-compet Agreements	Indefinite Life Brands	Total
Balance as at January 1, 2017										
Cost	\$ 15,422	\$ 13,056	\$ 26,171	\$ 14,343	\$ 17,706	\$ 202,740	\$ 6,659	\$ 25,045	\$ 28,704	\$ 349,846
Accumulated amortization and impairment	(15,194)	(9,922)	(23,409)	(9,567)	(17,210)	(143,557)	(5,093)	(17,689)	-	(241,641)
Net book amount	228	3,134	2,762	4,776	496	59,183	1,566	7,356	28,704	108,205
Year ended December 31, 2017										
Opening net book amount	228	3,134	2,762	4,776	496	59,183	1,566	7,356	28,704	108,205
Exchange differences	(60)	(15)	(32)	(193)	(100)	(2,488)	-	(249)	(1,483)	(4,620)
Acquisitions (Note 6)	9,054	-	-	9,623	20,247	9,609	-	10,247	-	58,780
Additions	-	414	-	-	-	-	210	-	-	624
Amortization charge	(1,742)	(1,049)	(1,122)	(3,558)	(1,068)	(16,624)	(983)	(3,330)	-	(29,476)
Disposals	-	(554)	-	-	-	-	-	-	-	(554)
Closing net book amount	7,480	1,930	1,608	10,648	19,575	49,680	793	14,024	27,221	132,959
Balance as at December 31, 2017										
Cost	24,466	8,460	24,922	23,419	37,414	206,015	6,869	34,727	27,221	393,513
Accumulated amortization and impairment	(16,986)	(6,530)	(23,314)	(12,771)	(17,839)	(156,335)	(6,076)	(20,703)	-	(260,554)
Net book amount	7,480	1,930	1,608	10,648	19,575	49,680	793	14,024	27,221	132,959
Year ended December 31, 2018										
Opening net book amount	7,480	1,930	1,608	10,648	19,575	49,680	793	14,024	27,221	132,959
Exchange differences	188	5	(22)	209	496	1,944	-	407	1,803	5,030
Acquisitions (Note 6)	-	-	-	11,531	804	2,978	-	2,302	-	17,615
Additions	-	812	-	-	-	-	14	-	-	826
Amortization charge	(7,074)	(699)	(1,058)	(4,111)	(4,916)	(17,513)	(570)	(5,084)	-	(41,025)
Disposals	-	(511)	-	-	-	-	-	-	-	(511)
Closing net book amount	594	1,537	528	18,277	15,959	37,089	237	11,649	29,024	114,894
Balance as at December 31, 2018										
Cost	24,728	5,796	26,510	35,804	39,324	217,747	6,884	38,098	29,024	423,915
Accumulated amortization and impairment	(24,134)	(4,259)	(25,982)	(17,527)	(23,365)	(180,658)	(6,647)	(26,449)	-	(309,021)
Net book amount	\$ 594	\$ 1,537	\$ 528	\$ 18,277	\$ 15,959	\$ 37,089	\$ 237	\$ 11,649	\$ 29,024	\$ 114,894

For the year ended December 31, 2018, a total of \$nil (2017 - \$292) has been charged to employee compensation, which relates to amortization of capitalized software development costs.

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15. Intangibles, cont'd

Indefinite life intangibles, consisting of the Altus Group and ARGUS brands, have been assessed for impairment along with goodwill as outlined in Note 16. These assets are considered to have indefinite lives as management believes that there is an indefinite period over which the assets are expected to generate net cash flows.

The finite life intangibles are amortized over the remaining useful life as follows:

	December 31, 2018
	Average Remaining Useful Life
Brands of acquired businesses	39 months
Custom software applications	24 months
Internally generated software	9 months - 78 months
Customer backlog	2 months - 46 months
Customer lists	1 months - 114 months
Databases	5 months
Non-compete agreements	3 months - 46 months

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16. Goodwill

	Amount
Balance as at January 1, 2017	
Cost	\$ 283,569
Accumulated impairment	(62,972)
Net book amount	220,597
Year ended December 31, 2017	
Opening net book amount	220,597
Acquisitions (Note 6)	34,301
Exchange differences	(4,908)
Closing net book amount	249,990
Balance as at December 31, 2017	
Cost	310,783
Accumulated impairment	(60,793)
Net book amount	249,990
Year ended December 31, 2018	
Opening net book amount	249,990
Acquisitions (Note 6)	22,814
Impairment charge	(13,700)
Exchange differences	7,379
Closing net book amount	266,483
Balance as at December 31, 2018	
Cost	344,093
Accumulated impairment	(77,610)
Net book amount	\$ 266,483

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16. Goodwill, cont'd

The carrying value of the Altus Group brand, an indefinite life intangible asset, was tested for impairment at the Company level.

The carrying values of goodwill and the ARGUS brand, an indefinite life intangible asset, were allocated to the Company's CGUs as follows:

	December 31, 2018		December 31, 2017	
	Goodwill	ARGUS Brand	Goodwill	ARGUS Brand
Canada RVA	\$ 36,019	\$ -	\$ 36,019	\$ -
North America Cost	28,411	-	28,411	-
North America Property Tax	46,578	-	45,245	-
North America Geomatics	10,261	-	23,961	-
Altus Analytics ⁽¹⁾	96,058	22,763	71,110	20,960
U.K. Property Tax	49,003	-	45,089	-
Asia Pacific Cost	153	-	155	-
Total	\$ 266,483	\$ 22,763	\$ 249,990	\$ 20,960

⁽¹⁾ In 2017, ARGUS Software and U.S. and Europe RVA became one CGU, Altus Analytics.

The recoverable amounts of the CGUs were determined using a discounted cash flow analysis to estimate fair value less costs to sell (Level 3). This analysis incorporated assumptions used by market participants. The key assumptions used were as follows:

	December 31, 2018		December 31, 2017	
	Perpetual Growth Rate	Discount Rate (after-tax)	Perpetual Growth Rate	Discount Rate (after-tax)
Canada RVA	3.0%	14.5%	3.0%	15.0%
North America Cost	3.0%	14.0%	3.0%	14.0%
North America Property Tax	3.0%	12.5%	3.0%	12.5%
North America Geomatics	1.5%	15.0%	1.5%	15.8%
Altus Analytics ⁽¹⁾	3.0%	14.5%	3.0%	14.5%
U.K. Property Tax	2.5%	14.5%	2.5%	14.5%
Asia Pacific Cost	3.0%	23.0%	3.0%	23.0%

⁽¹⁾ In 2017, ARGUS Software and U.S. and Europe RVA became one CGU, Altus Analytics.

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16. Goodwill, cont'd

The discounted cash flow analysis uses after-tax cash flow projections based on five-year financial budgets approved by management. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated above. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. Management's margin assumptions were based on historical performance and future expectations. The discount rates used are on an after-tax basis and reflect risks related to the respective CGU.

Impairment

On December 2, 2018, the Government of Alberta announced that it is mandating a short-term reduction in oil production in order to draw down the significant storage of raw crude and bitumen. Due to this announcement, the market conditions worsened in Western Canada for Geomatics services, given the impact of oil prices on drilling and pipeline activities. As a result, in the fourth quarter of 2018, the Company recorded a goodwill impairment charge of \$13,700 reflecting the worsening market conditions. The carrying amount of the Geomatics CGU has been reduced to its recoverable amount of approximately \$24,000 through recognition of an impairment charge against goodwill. This loss was disclosed as a separate line item in the consolidated statements of comprehensive income (loss).

Management performed an impairment analysis as at December 1, 2018 and December 1, 2017, and determined that no other indefinite life intangibles and goodwill were impaired.

Notes to Consolidated Financial Statements

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17. Trade Payables and Other

	December 31, 2018	December 31, 2017 ⁽¹⁾
Trade payables	\$ 11,167	\$ 8,203
Accrued expenses	63,932	62,780
Contract liabilities: deferred revenue	37,163	31,733
Contingent consideration payables (Note 26)	14,169	10,437
Dividends payable (Note 25)	5,895	5,818
Lease inducements	11,595	9,670
Provisions	3,424	3,235
Balance as at December 31, 2018	147,345	131,876
Less non-current portion:		
Accrued expenses	7,063	10,115
Contract liabilities: deferred revenue	7,134	1,440
Contingent consideration payables	3,064	9,294
Lease inducements	10,688	8,939
Provisions	1,876	634
	29,825	30,422
	\$ 117,520	\$ 101,454

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

Contract liabilities increased primarily in the Altus Analytics and Commercial Real Estate Consulting segments, relating to the timing of subscription billings.

Revenue recognized in relation to contract liabilities

	Year ended December 31, 2018	Year ended December 31, 2017 ⁽¹⁾
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	\$ 29,719	\$ 26,141
Revenue recognized from performance obligations partially satisfied in previous years	5,314	1,494

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

Notes to Consolidated Financial Statements

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17. Trade Payables and Other, cont'd

Provisions consist of:

	Restructuring	Other	Total
Balance as at January 1, 2017	\$ 2,710	\$ 214	\$ 2,924
Charged to profit or loss:			
Additional provisions	4,739	447	5,186
Unwinding of discount (Note 9)	-	9	9
Used during the year	(4,608)	(206)	(4,814)
Exchange differences	(68)	(2)	(70)
Balance as at December 31, 2017	2,773	462	3,235
Charged to profit or loss:			
Additional provisions, net of releases	6,371	31	6,402
Unwinding of discount (Note 9)	27	9	36
Used during the year	(6,341)	(174)	(6,515)
Exchange differences	251	15	266
Balance as at December 31, 2018	3,081	343	3,424
Less: non-current portion	(1,688)	(188)	(1,876)
	\$ 1,393	\$ 155	\$ 1,548

Restructuring

In Q1 of 2018, the Company undertook and completed restructuring activities in Geomatics to reduce costs. In connection with these restructuring activities, a total of \$2,918 in restructuring costs was recorded in the year ended December 31, 2018. These charges relate primarily to employee severance costs and onerous leases.

In Q2 of 2018, the Company initiated restructuring activities in Property Tax as a result of its integration efforts in the U.K. following the acquisition of CVS. This was completed in Q4 of 2018. In connection with these restructuring activities, a total of \$3,611 in restructuring costs was recorded in the year ended December 31, 2018. These charges relate primarily to employee severance costs and onerous leases.

In addition, in Q1 of 2018, restructuring provisions made in prior years in the amount of \$158 were released.

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18. Borrowings

	December 31, 2018	December 31, 2017
Borrowings (current):		
Bank credit facilities	\$ 578	\$ -
Leasehold improvement loans	88	125
Finance lease liabilities	192	536
	858	661
Borrowings (non-current):		
Bank credit facilities	128,600	150,400
Leasehold improvement loans	403	491
Finance lease liabilities	74	241
Less: deferred financing fees	(568)	(997)
	128,509	150,135
Total borrowings	\$ 129,367	\$ 150,796

Bank credit facilities

Effective April 28, 2015, the Company amended its bank credit facilities, further strengthening its financial flexibility. The amended agreement extended the term by five years expiring April 28, 2020. It combined the Company's revolving operating facility and revolving term facility into one revolving term facility and increased the Company's borrowing capacity to \$200,000 from \$159,700, with certain provisions that allow the Company to further increase the limit to \$250,000.

In June 2018, the Company increased its borrowing capacity under the revolving term facility from \$200,000 to \$220,000 in accordance with certain provisions of the agreement. All other terms of the bank credit facilities remain the same including the Company's ability to further increase the limit to \$250,000. As at December 31, 2018, the amount drawn under this facility was \$128,600 (2017 - \$150,400).

The Company monitors certain financial covenants in line with its amended bank credit facilities. Refer to Note 27 for further details.

In 2015, the Company entered into interest rate swap agreements for a total notional amount of \$65,000. The Company is obligated to pay the counterparty to the interest rate swap agreements an amount based upon a fixed interest rate of 1.48% per annum and the counterparty is obligated to pay the Company an amount equal to the Canadian Bankers' Acceptance rate. These agreements expire on May 15, 2020. These interest rate swaps are not designated as cash flow hedges.

The weighted average effective interest rate for the bank credit facilities for the year ended December 31, 2018 was 3.48% (2017 - 3.03%). The bank credit facilities require repayment of the principal at such time as the Company receives proceeds of insurance, issues equity, issues debt, or sells assets in excess of certain thresholds.

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18. Borrowings, cont'd

Loans bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates plus, in each case, an applicable margin to those rates. The margin ranges from 1.2% to 3.0% for Canadian Bankers' Acceptance and LIBOR borrowings depending on the calculation of the funded debt to EBITDA ratio (Note 27).

Letters of credit are also available on customary terms for bank credit facilities of this nature.

The Company is required to comply with certain financial covenants, as disclosed in Note 27. In addition, the Company and certain of its subsidiaries must account for a minimum of 80% of consolidated revenues on a trailing 12-month basis to meet the minimum security requirement. As at December 31, 2018, the Company met these requirements. As at December 31, 2018, substantially all of the assets of the Company are provided as a security interest to meet this requirement.

Leasehold improvement loans

The Company received various loans to finance leasehold improvements made to leased premises. The loans are payable in installments with maturity dates ranging from March 2019 to September 2025 and bear interest from 0% to 5.00%. The loans are not secured. The weighted average effective interest rate for the year ended December 31, 2018 was 1.64% (2017 - 1.87%).

Contractual principal repayments on all borrowings excluding convertible debentures and finance lease liabilities are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	\$ 666	\$ 125
1 to 3 years	128,739	150,557
4 to 5 years	143	141
Over 5 years	121	193
	\$ 129,669	\$ 151,016

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18. Borrowings, cont'd

Finance lease liabilities

Future minimum lease payments required under finance leases, which expire between 2019 and 2023, are as follows:

	December 31, 2018	December 31, 2017
Gross finance lease liabilities - minimum lease payments:		
Less than 1 year	\$ 203	\$ 572
Later than 1 year and no later than 5 years	76	254
	279	826
Less: future finance charges (5.90% to 10.15%)	(13)	(49)
Present value of finance lease liabilities	\$ 266	\$ 777

Convertible debentures

On April 19, 2012, the Company issued \$48,000 convertible debentures with an interest rate of 6.75% and with a maturity date of June 30, 2017.

The convertible debentures were convertible into common shares at the option of the holder at a conversion price of \$10.00 per common share. Interest expense included a charge for the coupon interest and the accretion of the liability to the convertible debentures' aggregate face value using the effective interest rate method.

The convertible debentures were redeemed by the Company on May 3, 2017, in accordance with the terms of the convertible debenture indenture and were delisted from the TSX. The remaining principal amount of \$396 of the convertible debentures was redeemed using available cash on hand.

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December 31, 2018 and 2017

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18. Borrowings, cont'd

Reconciliation of liabilities arising from financing activities

	Leasehold Improvement Loans	Finance Lease Liabilities	Convertible Debentures	Bank Credit Facilities	Deferred Financing Fees	Total
Balance as at January 1, 2017	\$ 737	\$ 1,570	\$ 6,105	\$ 117,000	\$ (1,477)	\$ 123,935
Cash flows	(134)	(900)	(396)	33,400	-	31,970
Non-cash movements:						
Acquisitions (Note 6)	-	16	-	-	-	16
Additions (Note 14)	-	58	-	-	-	58
Disposals	-	(31)	-	-	-	(31)
Interest accretion	13	82	-	-	-	95
Equity component of convertible debentures	-	-	215	-	-	215
Settled in common shares (Note 20)	-	-	(5,924)	-	-	(5,924)
Amortization	-	-	-	-	480	480
Exchange differences	-	(18)	-	-	-	(18)
Balance as at December 31, 2017	616	777	-	150,400	(997)	150,796
Cash flows	(134)	(573)	-	(21,222)	-	(21,929)
Non-cash movements:						
Additions (Note 14)	-	22	-	-	-	22
Disposals	-	(5)	-	-	-	(5)
Interest accretion	9	35	-	-	-	44
Amortization	-	-	-	-	429	429
Exchange differences	-	10	-	-	-	10
Balance as at December 31, 2018	\$ 491	\$ 266	\$ -	\$ 129,178	\$ (568)	\$ 129,367

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19. Amounts Payable to Unitholders

Altus UK LLP Class B and Class D limited liability partnership units

As part of the formation of Altus UK LLP, 455,418 Class B limited liability partnership units were issued to the sellers of the predecessor operating entity, who are also current member-partners of Altus UK LLP, and 293,818 Class D limited liability partnership units were issued for the beneficial interest of certain employees of the predecessor operating entity. Each Class B and Class D limited liability partnership unit was entitled to an allocation from profits equivalent to the cash dividends declared and paid to each common share in respect of the same period. The Class B and Class D limited liability partnership units had no additional interest in the equity of the partnership and were not included in the calculation of diluted earnings (loss) per share.

	Altus UK LLP Class D units	
	Number of Units	Amount
Balance as at January 1, 2017	27,502	\$ 851
Redemption of units ⁽¹⁾	(27,502)	(883)
Change in fair value	-	32
Balance as at December 31, 2017	-	\$ -

⁽¹⁾ On March 3, 2017, 27,502 Class D limited liability partnership units of Altus UK LLP were redeemed at a value of \$32.12 per unit.

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20. Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value. Common shares issued and outstanding are as follows:

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2017	37,153,699	\$ 460,003
Issued on exercise of options (Note 23)	247,589	4,615
Issued under the Dividend Reinvestment Plan	37,406	1,138
Issued on conversion of convertible debentures (Note 18)	570,900	5,924
Issued on acquisitions (Note 6)	169,420	3,679
Issued under the Equity Compensation Plan (Note 23)	311,258	7,623
Treasury shares purchased under the Restricted Share Plan (Note 23)	(78,654)	(3,588)
Treasury shares held under the Equity Compensation Plan (Note 23)	(74,339)	(3,345)
Release of treasury shares (Note 23)	111,750	3,132
Balance as at December 31, 2017	38,449,029	479,181
Issued on exercise of options (Note 23)	41,673	1,005
Issued under the Dividend Reinvestment Plan	158,481	4,617
Issued on acquisitions (Note 6)	171,628	3,729
Issued under the Equity Compensation Plan (Note 23)	144,881	2,496
Treasury shares purchased under the Restricted Share Plan (Note 23)	(62,981)	(3,061)
Release of treasury shares (Note 23)	109,991	3,575
Balance as at December 31, 2018	39,012,702	\$ 491,542

The 39,012,702 common shares as at December 31, 2018 are net of 290,377 treasury shares with a carrying value of \$11,983 that are being held by the Company until vesting conditions are met (Note 23).

The Company implemented a Dividend Reinvestment Plan ("DRIP") for shareholders of the Company who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividends into additional common shares of the Company.

Pursuant to the DRIP, and in the case where common shares are issued from treasury, cash dividends are reinvested into additional shares of the Company at the weighted average market price of common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount of 4%. In the case where common shares are purchased on the open market, cash dividends are reinvested into additional shares of the Company at the relevant average market price paid in respect of satisfying this reinvestment plan.

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21. Contributed Surplus

	Amount
Balance as at January 1, 2017	\$ 18,476
Share-based compensation (Note 23)	7,824
Loss on sale of RSs and shares held in escrow	(59)
Shares issued on exercise of options (Note 23)	(703)
Release of treasury shares under the Restricted Share Plan (Note 23)	(2,726)
Shares issued under the Equity Compensation Plan (Note 23)	(4,278)
Equity component of convertible debentures that were redeemed	16
Balance as at December 31, 2017	18,550
Share-based compensation	9,455
Loss on sale of RSs and shares held in escrow	(34)
Shares issued on exercise of options (Note 23)	(163)
Release of treasury shares under the Restricted Share Plan (Note 23)	(3,430)
Shares issued under the Equity Compensation Plan (Note 23)	(2,496)
Balance as at December 31, 2018	\$ 21,882

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22. Accumulated Other Comprehensive Income (Loss)

	Currency Translation Reserve	AFS Investments Reserves	FVOCI Investments Reserves	Total
Balance as at January 1, 2017	\$ 46,781	\$ -	\$ -	\$ 46,781
Currency translation differences	(9,717)	-	-	(9,717)
Change in fair value of AFS investments	-	(26,460)	-	(26,460)
Share of other comprehensive loss of associates	(46)	-	-	(46)
Balance as at December 31, 2017	37,018	(26,460)	-	10,558
Adjustment on adoption of IFRS 15 (Note 4)	(156)	-	-	(156)
Balance as at December 31, 2017 - Restated	36,862	(26,460)	-	10,402
Adjustment on adoption of IFRS 9 (Note 4)	-	26,460	(26,432)	28
Balance as at January 1, 2018	36,862	-	(26,432)	10,430
Currency translation differences	17,696	-	-	17,696
Change in fair value of FVOCI investments	-	-	(44,351)	(44,351)
Transfer of loss on disposal of FVOCI investments (Note 13)	-	-	70,783	70,783
Balance as at December 31, 2018	\$ 54,558	\$ -	\$ -	\$ 54,558

23. Share-based Compensation

The Company's share-based compensation plans are as follows:

(i) Executive Compensation Plan and Long-Term Incentive Plan

The Company has an Executive Compensation Plan that is composed of two elements: a common share option plan (the "Share Option Plan") and an equity compensation plan (the "Equity Compensation Plan"). These are both equity-settled compensation arrangements.

In March 2017, the Board of Directors approved a long-term equity incentive plan ("Long-Term Incentive Plan") to simplify the long-term incentive program and replace the Company's Share Option Plan and Equity Compensation Plan. This plan contains comprehensive and consistent provisions to govern awards, including options, PSUs and share-based equity awards. This plan was approved by the shareholders in April 2017.

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23. Share-based Compensation, cont'd

Legacy awards made under the Share Option Plan and Equity Compensation Plan will continue to be exercised or vest and be settled in accordance with those plans. The Long-Term Incentive Plan governs new awards.

Share options under both the Share Option Plan and Long-Term Incentive Plan provide for the grant of options that have a maximum term of 72 months. The administrators have discretion as to the number of options issued, the expiration date of each option, the extent to which each option is exercisable during the term of the option, and any other terms and conditions relating to each option. Generally, the options granted vest annually over a three to four-year period from the date of grant. The exercise price for the options is calculated as the volume weighted average closing price of the common shares on the TSX for the five business days immediately preceding such grant date. Except in specific defined circumstances, an option and all rights to purchase common shares are forfeited upon the optionee ceasing to be an employee of the Company.

Movements in the number of options outstanding and the weighted average exercise price are as follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2017	757,942	\$19.56
Granted on March 7, 2017	381,731	\$29.72
Granted on August 14, 2017	30,000	\$31.86
Granted on December 1, 2017	50,000	\$35.83
Exercised	(247,589)	\$15.80
Forfeited	(25,376)	\$26.77
Balance as at December 31, 2017	946,708	\$25.70
Granted on March 6, 2018	546,439	\$31.59
Granted on November 30, 2018	25,531	\$26.06
Granted on December 1, 2018	50,000	\$26.04
Exercised	(41,673)	\$20.21
Forfeited	(8,335)	\$30.84
Balance as at December 31, 2018	1,518,670	\$27.96

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23. Share-based Compensation, cont'd

Information about the Company's options outstanding and exercisable as at December 31, 2018 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$21.23	7,500	0.37 years	7,500
\$23.85	74,500	1.45 years	74,500
\$21.37	16,550	1.63 years	16,550
\$19.29	129,944	2.39 years	129,944
\$20.28	34,332	2.92 years	34,332
\$19.64	149,844	2.19 years	91,041
\$30.70	50,000	3.92 years	33,334
\$29.72	359,031	4.18 years	88,693
\$31.86	30,000	4.62 years	7,500
\$35.83	50,000	4.92 years	12,500
\$31.59	541,438	4.18 years	-
\$26.06	25,531	4.92 years	-
\$26.04	50,000	4.92 years	-
\$27.96	1,518,670	3.68 years	495,894

The options granted in 2018 vest over a period of up to 48 months. The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	March 2018	November 2018	December 2018
Risk-free interest rate	1.96%	2.20%	2.16%
Expected dividend yield	1.9%	2.3%	2.3%
Expected volatility	20.49% - 25.58%	26.08% - 27.23%	26.08% - 27.23%
Expected option life	3.00 - 4.50 years	3.00 - 4.50 years	3.00 - 4.50 years
Weighted average grant-date fair value per option	\$5.03 - \$5.89	\$4.48 - \$5.47	\$4.61 - \$5.59

Under the Equity Compensation Plan, the Company was entitled in its sole discretion to issue to each participant a portion of his or her annual discretionary bonus in common shares. On each day that a participant was paid any portion of his or her annual discretionary bonus, the Company may pay a certain percentage of that portion in cash and issue a number of common shares equal to the remainder of that portion divided by the volume weighted average closing price of the common shares on the TSX for the five business days ending on the day prior to such issuance.

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23. Share-based Compensation, cont'd

As part of the Equity Compensation Plan, the Company granted equity awards of common shares to employees of the Company subject to certain vesting conditions. The number of shares which will vest may be higher or lower than the number of shares originally granted, ranging from 50% to 150% based on the Company's total shareholder return ("TSR") relative to a set peer group. If the Company's TSR equals the peer group's TSR for the periods specified below, then shares granted will be issued according to the percentages below, subject to the recipient also fulfilling a three-year service condition:

- 20% of the shares will vest on December 31 of each year for a period of three years; and
- 40% of the shares will vest based on the three-year average Company TSR compared to peer group TSR.

In March 2018, as part of the Equity Compensation Plan, the Company settled the vested equity awards granted in 2015 through an issuance of 144,881 common shares from treasury.

In March 2017, as part of the Equity Compensation Plan, the Company settled the vested equity awards granted in 2014 through an issuance of 196,267 common shares from treasury.

In March 2017, prior to the approval of the Long-Term Incentive Plan and as part of the Equity Compensation Plan, a total of 114,991 common shares were issued in escrow and will not be available until four years following the date of grant. After four years from the date of grant, these common shares will be released, provided, subject to certain exceptions such as retirement, disability or death, that the individual is employed with the Company at the time of release. If the employee resigns from the Company or is terminated for cause, the common shares will be forfeited.

As part of the Long-Term Incentive Plan, the Company grants PSUs to employees of the Company subject to certain vesting conditions. The number of PSUs which will vest may be higher or lower than the number of PSUs originally granted, ranging from 0% to 200% based on the Company's TSR relative to the average TSR of a defined peer group. If the Company's TSR equals the average TSR of the peer group for the periods specified below, then PSUs will vest according to the percentages below, subject to the recipient also fulfilling a three-year service condition:

- 20% of the PSUs will vest on December 31 of each year for a period of three years; and
- 40% of the PSUs will vest based on the three-year cumulative Company TSR compared to the average cumulative TSR of the peer group.

In March 2018, as part of the Long-Term Incentive Plan, the Company granted PSUs equivalent to 118,856 common shares. The number of PSUs that will vest may be higher or lower than the number of PSUs originally granted, ranging from 0% to 200% based on the Company's TSR relative to the average TSR of a defined peer group.

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23. Share-based Compensation, cont'd

In March 2017, as part of the Long-Term Incentive Plan, the Company granted PSUs equivalent to 93,992 common shares.

In August 2017, as part of the Long-Term Incentive Plan, the Company granted PSUs equivalent to 7,387 common shares.

(ii) Deferred Compensation Plans

In 2013, the Company established Deferred Compensation Plans that are structured as a RS Plan in Canada and as a RSU Plan outside of Canada. Annual grants of RSs or RSUs form part of the total annual discretionary bonus awarded, which typically consists of an annual cash bonus of 80% and a RS or RSU award of 20%. The total annual discretionary bonus is based on the Company exceeding certain annual performance targets, which are set annually. On occasion, RSs or RSUs may be granted to certain employees upon acceptance of employment, subject to certain restrictions similar to those applicable to the annual grants.

RS Plan

If annual performance targets are met, RSs will be awarded within three months of that performance year and will not be available to the employee until three years following the date of grant. The Company will contribute funds to purchase common shares in the open market (through the facilities of the TSX or by private agreement) and these RSs will be held by the Company until they vest. After three years from the date of grant, these RSs will be released, provided, subject to certain exceptions such as retirement, disability or death, that the individual is employed with the Company at the time of release. Participants are entitled to receive cash dividends that are paid on common shares. If an employee resigns from the Company or is terminated for cause, all RSs that have not yet been released from the three-year restriction period will be forfeited. This is an equity-settled compensation arrangement.

In connection with the 2016 performance year, the Company granted a total of \$3,177 under the RS Plan. In March 2017, the Company purchased 67,521 common shares with a cost of \$3,177 in the open market (through the facilities of the TSX or by private agreement).

In connection with the 2017 performance year, the Company granted a total of \$2,956 under the RS Plan. In March 2018, the Company purchased 60,394 common shares with a cost of \$2,956 in the open market (through the facilities of the TSX or by private agreement).

This amount has been shown as a reduction in the carrying value of the Company's common shares (Note 20).

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23. Share-based Compensation, cont'd

The Company expects to purchase common shares in the open market (through the facilities of the TSX or by private agreement) in relation to those RSs granted in the current year and hold the common shares in escrow until the vesting date.

RSU Plan

If annual performance targets are met, RSUs will be awarded within three months of that performance year and will not be available to the employee until three years following the date of grant. After three years from the date of grant, participants are entitled to receive the cash equivalent of a common share of the Company for each RSU, provided, subject to certain exceptions such as retirement, disability or death, that the individual is employed with the Company at the time of release. Participants are entitled to receive notional distributions in cash equal to dividends that are paid on common shares. If an employee resigns from the Company or is terminated for cause, all RSUs that have not yet been released from the three-year restriction period will be forfeited. This is a cash-settled compensation arrangement.

The Company entered into equity derivatives to manage its exposure to changes in the fair value of RSUs due to changes in the fair value of the Company's common shares (Note 12).

A summary of the movement of the RSs and RSUs granted is as follows:

	Number of RSs	Number of RSUs
Balance as at January 1, 2017 (all unvested)	296,144	275,885
Granted	78,654	111,349
Released	(111,583)	(69,216)
Balance as at December 31, 2017 (all unvested)	263,215	318,018
Granted	62,981	116,875
Released	(105,573)	(82,223)
Balance as at December 31, 2018 (all unvested)	220,623	352,670

(iii) Directors' Deferred Share Unit Plan

The Company has a DSU Plan under which members of the Company's Board of Directors, who are not management, elect annually to receive all or a portion of their annual retainers and fees in the form of DSUs, which are classified as trade payables and other. Participants are entitled to receive notional distributions in additional DSUs equal to dividends that are paid on common shares. The DSUs vest on the date they are granted and are settled in cash upon termination of Board service. This is a cash-settled compensation arrangement.

The Company entered into an equity derivative to manage its exposure to changes in the fair value of DSUs due to changes in the fair value of the Company's common shares (Note 12).

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23. Share-based Compensation, cont'd

A summary of the movement of the DSUs granted is as follows:

	Number of DSUs
Balance as at January 1, 2017	91,645
Granted	22,230
Redeemed	(10,500)
Balance as at December 31, 2017	103,375
Granted	31,960
Redeemed	(10,427)
Balance as at December 31, 2018	124,908

(iv) Compensation Expense by Plan

	Year ended December 31, 2018	Year ended December 31, 2017
Share Option Plan	\$ 209	\$ 586
Equity Compensation Plan	1,766	2,509
Long-Term Incentive Plan	3,892	1,543
RS Plan	3,313	2,907
RSU Plan ⁽¹⁾	289	3,755
DSU Plan ⁽²⁾	(687)	1,298

⁽¹⁾ For the year ended December 31, 2018, the Company recorded mark-to-market adjustments of \$(2,883) (2017 - \$1,598).

⁽²⁾ For the year ended December 31, 2018, the Company recorded mark-to-market adjustments of \$(1,693) (2017 - \$611).

(v) Liabilities for Cash-settled Plans

	December 31, 2018	December 31, 2017
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 6,101	\$ 8,074
DSU Plan - carrying value of liability recorded within trade payables and other	2,779	3,798

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24. Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing profit (loss) by the weighted average number of common shares outstanding during the year.

The dilutive effect of share options, equity awards, PSUs and RSs is determined using the treasury stock method. For the purposes of the weighted average number of common shares outstanding, common shares are determined to be outstanding from the date they are issued.

For the year ended December 31, 2018, 1,518,670 share options, 290,377 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) and 312,494 equity awards and PSUs were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

For the year ended December 31, 2017, 493,782 share options and 74,172 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

The following table summarizes the basic and diluted earnings (loss) per share and the basic and diluted weighted average number of common shares outstanding:

	Year ended December 31, 2018	Year ended December 31, 2017 ⁽¹⁾
Profit (loss) for the year - basic and diluted	\$ (18,439)	\$ 109,417
Weighted average number of common shares outstanding - basic	38,763,613	38,027,573
Dilutive effect of share options	-	153,476
Dilutive effect of equity awards and PSUs	-	301,644
Dilutive effect of RSs	-	173,641
Weighted average number of common shares outstanding - diluted	38,763,613	38,656,334
Earnings (loss) per share:		
Basic	\$(0.48)	\$2.88
Diluted	\$(0.48)	\$2.83

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

Altus Group Limited



Notes to Consolidated Financial Statements

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25. Dividends Payable

The Company declared a \$0.15 dividend per common share, to shareholders of record on the last business day of each quarter and dividends were paid on the 15th day of the month following quarter end.

Dividends are declared and paid in Canadian dollars.

A reconciliation of dividends payable is as follows:

	Dividends Payable
Balance as at January 1, 2017	\$ 5,617
Dividends paid	(21,806)
Non-cash movements:	
DRIP (Note 20)	(1,138)
Dividends declared	23,145
Balance as at December 31, 2017	5,818
Dividends paid	(18,798)
Non-cash movements:	
DRIP (Note 20)	(4,617)
Dividends declared	23,492
Balance as at December 31, 2018	\$ 5,895

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26. Financial Instruments and Fair Values

Financial Instruments by Category

The tables below indicate the carrying values of assets and liabilities for each of the following categories:

	December 31, 2018			December 31, 2017 ⁽¹⁾		
	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost	Fair Value Through Profit or Loss	Available-for-sale	Loans and Receivables
Assets as per Consolidated Balance Sheet:						
Cash and cash equivalents	\$ -	\$ -	\$ 48,738	\$ 28,070	\$ -	\$ -
Trade receivables and other (excluding deferred costs to obtain customer contracts, prepayments and promissory notes receivable)	-	-	143,604	-	-	134,819
Promissory notes receivable	6,552	-	-	3,914	-	-
Investment in Real Matters	-	-	-	-	105,418	-
Investments in equity instruments	-	3,408	-	-	1,883	-
Investments in partnerships	1,495	-	-	-	772	-
Derivative financial instruments	1,092	-	-	7,050	-	-
	\$ 9,139	\$ 3,408	\$ 192,342	\$ 39,034	\$ 108,073	\$ 134,819

⁽¹⁾ Restated for the impact of IFRS 15 (Note 4).

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

	December 31, 2018		December 31, 2017	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Other Liabilities
Liabilities as per Consolidated Balance Sheet:				
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ -	\$ 75,538	\$ -	\$ 68,164
RSU Plan and DSU Plan payables	8,880	-	11,872	-
Contingent consideration payables	14,169	-	10,437	-
Borrowings	-	129,367	-	150,796
Derivative financial instruments	-	-	918	-
	\$ 23,049	\$ 204,905	\$ 23,227	\$ 218,960

Fair Values

Fair value measurements recognized in the consolidated balance sheets must be classified in accordance with the fair value hierarchy established by IFRS 13, *Fair Value Measurement*, which reflects the significance of the inputs used in determining the measurements. The inputs can be either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect an entity's pricing based upon its own market assumptions.

The tables below present financial instruments that are measured at fair value. The different levels in the hierarchy have been defined as follows:

- Level 1: 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 or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Promissory notes receivable	\$ -	\$ -	\$ 6,552	\$ 6,552
Investments in equity instruments	-	-	3,408	3,408
Investments in partnerships	-	-	1,495	1,495
Derivative financial instruments	-	1,092	-	1,092
Liabilities:				
RSU Plan and DSU Plan payables	8,880	-	-	8,880
Contingent consideration payables	-	-	14,169	14,169
<hr/>				
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 28,070	\$ -	\$ -	\$ 28,070
Promissory notes receivable	-	-	3,914	3,914
Investment in Real Matters	105,418	-	-	105,418
Investments in equity instruments	-	-	1,883	1,883
Investments in partnerships	-	-	772	772
Derivative financial instruments	-	7,050	-	7,050
Liabilities:				
RSU Plan and DSU Plan payables	11,872	-	-	11,872
Contingent consideration payables	-	-	10,437	10,437
Derivative financial instruments	-	918	-	918

For the year ended December 31, 2018, there were no transfers between the levels in the hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at each balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The liabilities for cash-settled plans are measured at fair value using the quoted market price of the Company's common shares. The investment in Real Matters is measured at fair value using the quoted market price of their common shares. These financial instruments and cash and cash equivalents are recorded in Level 1.

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December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Derivative financial instruments are recorded in Level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of equity derivatives is calculated based on the movement in the Company's common share price between the initial common share price on the effective date and the reporting date, which are observable inputs. The fair value of currency forward contracts is calculated based on the spread between the currency forward rate and the rate on the reporting date, which are observable inputs, and applied to the notional amount.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The promissory notes receivable, investments in equity instruments, investments in partnerships and contingent consideration payable are recorded in Level 3 as the amounts are not based on observable inputs. The promissory notes receivable and contingent consideration payable are measured using a discounted cash flow analysis of expected cash flows in future periods. The investments in equity instruments are measured based on valuations of the entity. Investments in partnerships are measured in relation to the fair value of assets in the respective partnerships.

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2017	\$ 2,183
Contingent arrangements entered into during the year (Note 6)	9,267
Changes in expected payment recorded through profit or loss	375
Unwinding of discount (Note 9)	168
Settlements	(1,505)
Exchange differences	(51)
Balance as at December 31, 2017	10,437
Contingent arrangements entered into during the year (Note 6)	2,950
Unwinding of discount (Note 9)	648
Settlements	(111)
Exchange differences	245
Balance as at December 31, 2018	\$ 14,169

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$107 as at December 31, 2018.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

The estimated contractual amount of contingent consideration payables as at December 31, 2018 was \$14,754 (December 31, 2017 - \$11,337), net of a discount of \$585 (December 31, 2017 - \$900).

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, prepayments, and promissory notes receivable) due within one year, and trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables, and contingent consideration payables) due within one year, are all short-term in nature and, as such, their carrying values approximate their fair values. The fair values of non-current trade receivables and other, trade payables and other, leasehold improvement loans and finance lease liabilities are estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximate their carrying values.

The fair value of the bank credit facilities approximates its carrying value, as the instruments bear interest at rates comparable to current market rates.

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

The Company does not enter into derivative financial instruments for speculative purposes.

(a) Market Risk

Interest rate risk

The Company is exposed to interest rate risk in the event of fluctuations in the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates as the interest rates on the revolving term facility fluctuate with changes in these rates.

In order to limit interest rate exposure, the Company entered into floating-to-fixed interest rate swap agreements associated with its bank credit facilities. These interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The notional principal amounts of the outstanding interest rate swap agreements as at December 31, 2018 were \$65,000 (2017 - \$65,000).

Notes to Consolidated Financial Statements

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

The Company monitors its interest rate exposure and its hedging strategy on an ongoing basis.

Fluctuations in interest rates will impact profit or loss. For the year ended December 31, 2018, every 1% increase or decrease in the revolving term facility interest rate results in a corresponding \$949 decrease or increase in the Company's profit (loss) (2017 - \$736).

Currency risk

The Company has operations in Canada, the U.S., Europe and Asia Pacific and, therefore, has exposure to currency risk. There is exposure to foreign exchange fluctuations on the consolidation of the Company's foreign subsidiaries. Assets and liabilities of foreign subsidiaries are translated at the period-end exchange rate and, therefore, have varying values from exchange rate fluctuations. The effects of such variations are recognized in other comprehensive income (loss).

The statements of comprehensive income (loss) of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenues and profit or loss, denominated in Canadian dollars.

In order to limit some of its foreign exchange exposure, the Company entered into currency forward contracts (Note 12).

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

The following table summarizes the effect of a 10% strengthening of the Canadian dollar on the Company's profit (loss) as a result of translating the statements of comprehensive income (loss) of foreign subsidiaries, assuming all other variables remain unchanged:

	Year ended December 31, 2018	Year ended December 31, 2017
U.S.	\$ (2,127)	\$ (3,136)
Europe	1,119	615
Australia	(20)	147
Asia	(194)	(67)

A 10% weakening of the Canadian dollar would have an equal but opposite effect, assuming all other variables remain unchanged.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

Price risk

The Company is exposed to price risk because the liabilities for cash-settled plans are classified as FVPL, and linked to the price of the Company's common shares. If the market price of the Company's common shares increases by 5% with all other variables held constant, the impact on profit (loss) would be a decrease of \$451. A 5% decrease in the market price of the Company's common shares would have an equal but opposite effect on profit (loss), assuming all other variables remain unchanged.

In order to limit price risk exposure, the Company entered into equity derivatives. Changes in the fair value of these equity derivatives offset the impact of mark-to-market adjustments that are accrued. The notional amount outstanding on these equity derivatives as at December 31, 2018 was \$10,042 (2017 - \$8,413) (Note 12).

(b) Credit Risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. The risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets for unbilled revenue on customer contracts. To measure the expected credit losses, trade receivables and contract assets for unbilled revenue on customer contracts have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2018 is determined as follows; the expected credit losses also incorporate forward-looking information.

	December 31, 2018			
	0 to 120 days past due	121 to 365 days past due	More than 365 days past due	Total
Expected loss rate	1.66%	26.98%	84.90%	6.57%
Gross carrying amount	\$137,202	\$9,927	\$6,019	\$153,148
Loss allowance provision	\$(2,281)	\$(2,678)	\$(5,110)	\$(10,069)

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

Changes in the gross carrying amount of trade receivables and contract assets for unbilled revenue on customer contracts contributed to the changes in the loss allowance provision. The gross carrying amount was impacted by revenue recognized and amounts invoiced, offset by cash collections and amounts written off as not recoverable or uncollectible. Expected loss rates are determined on a portfolio basis. The expected loss rate for the Company will differ based on the contribution of balances by portfolio and age of those balances. For the year ended December 31, 2018, no significant changes were made to the expected loss rates on a portfolio basis.

The loss allowance provision for trade receivables and contract assets for unbilled revenue on customer contracts as at December 31, 2018 reconciles to the opening loss allowance provision as follows:

	December 31, 2018
As at January 1, 2017	\$ 8,194
Net charges during the year	2,827
Receivables written off during the year as uncollectible	(3,140)
Exchange differences	(35)
As at December 31, 2017 - under IAS 39	7,846
Adjustment on adoption of IFRS 9	1,008
As at January 1, 2018 - under IFRS 9	8,854
Net charges during the year	4,228
Amounts written off during the year as not recoverable or uncollectible	(3,257)
Exchange differences	244
As at December 31, 2018	\$ 10,069

The movement of the loss allowance provision has been included in office and other operating expenses in the consolidated statements of comprehensive income (loss). In the event collectability of trade receivables is in question, an adjustment is made to the corresponding contract assets for unbilled revenue on customer contracts. In addition, contract assets for unbilled revenue on customer contracts are assessed for impairment under IFRS 9. Amounts charged to the provision are generally written off when there are no expectations of recovering additional cash. The Company's maximum exposure to credit risk at the reporting date, assuming no mitigating factors, is the carrying value of its cash and cash equivalents, trade receivables and other and derivative financial instruments. The Company does not hold any collateral as security.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

26. Financial Instruments and Fair Values, cont'd

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's revenues and receipts and maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions outside the ordinary course of business, including proposals on mergers, acquisitions or other major investments.

Management believes that funds generated by operating activities and available bank credit facilities will allow the Company to satisfy its requirements for the purposes of working capital, investments and debt repayments.

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2018							Total
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years		
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ 75,538	\$ 76,078	\$ 73,122	\$ 1,838	\$ 91	\$ 1,027	\$ 76,078	
RSU Plan and DSU Plan payables	8,880	8,880	2,966	2,315	821	2,778	8,880	
Contingent consideration payables	14,169	14,754	11,509	3,245	-	-	14,754	
Borrowings	129,367	129,970	874	128,817	156	123	129,970	
	\$ 227,954	\$ 229,682	\$ 88,471	\$ 136,215	\$ 1,068	\$ 3,928	\$ 229,682	

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26. Financial Instruments and Fair Values, cont'd

	December 31, 2017						
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ 68,870	\$ 68,940	\$ 67,631	\$ 687	\$ 65	\$ 557	\$ 68,940
RSU Plan and DSU Plan payables	11,872	11,872	2,411	5,454	592	3,415	11,872
Contingent consideration payables	10,437	11,337	1,178	10,159	-	-	11,337
Borrowings	150,796	151,872	706	150,810	160	196	151,872
Derivative financial instruments	918	918	918	-	-	-	918
	\$ 242,893	\$ 244,939	\$ 72,844	\$ 167,110	\$ 817	\$ 4,168	\$ 244,939

27. Capital Management

The Company's objective in managing capital is to ensure that adequate resources are available to fund organic growth and to enable it to undertake strategic acquisitions while continuing as a going concern. The Company's capital is composed of borrowings and shareholders' equity.

Operating cash flows are used to provide sustainable cash dividends to shareholders and fund capital expenditures in support of organic growth. In addition, operating cash flows, supplemented throughout the year with the revolving term facility, are used to fund working capital requirements.

The revolving term facility and equity are used to finance strategic acquisitions. Additionally, vendors of acquired businesses typically receive a portion of the consideration in the form of the Company's common shares.

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(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

27. Capital Management, cont'd

The Company's capitalization is summarized in the following chart:

	December 31, 2018	December 31, 2017 ⁽¹⁾
Borrowings (Note 18)	\$ 129,367	\$ 150,796
Less: cash and cash equivalents	48,738	28,070
Net debt	80,629	122,726
Shareholders' equity	358,426	412,062
Total capitalization	\$ 439,055	\$ 534,788

⁽¹⁾ Restated for the impact on adoption of the new accounting pronouncements (Note 4).

The Company monitors certain financial covenants on a trailing 12-month basis in line with its amended bank credit facilities. The financial covenant limits are summarized below:

- Funded debt to EBITDA ratio: maximum of 3.00:1
- Fixed charge coverage ratio: minimum of 1.20:1
- Funded debt to capitalization ratio: maximum of 55%

As at December 31, 2018, the Company is in compliance with the financial covenants of its bank credit facilities.

28. Commitments and Contingencies

The Company leases offices and equipment under non-cancellable operating leases. The future aggregate minimum lease payments under such arrangements and other contractual commitments are as follows:

	December 31, 2018	December 31, 2017
No later than 1 year	\$ 18,808	\$ 18,428
Later than 1 year and no later than 5 years	53,964	54,179
Later than 5 years	28,444	38,811
Total	\$ 101,216	\$ 111,418

The future aggregate minimum sublease payments to be received under non-cancellable subleases as at December 31, 2018 were \$3,839 (December 31, 2017 - \$3,877).

For the year ended December 31, 2018, expenses under operating leases were \$14,900 (2017 - \$14,159).

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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28. Commitments and Contingencies, cont'd

As at December 31, 2018, the Company provided letters of credit of approximately \$776 to its lessors (December 31, 2017 - \$574).

In connection with the acquisition of Integrated Real Estate Resources, Inc. ("INTRER") completed on December 1, 2015, the Company committed to grant a total of 250,000 options, subject to conditions customary to the Company's share-based compensation plans, over a five-year period to be distributed to INTRER employees. As at December 31, 2018, the Company granted a total of 200,000 options (December 31, 2017 - 150,000 options) pursuant to this arrangement.

The Company committed to aggregate capital contributions of \$1,241 (Note 13) to certain partnerships (December 31, 2017 - \$1,781).

From time to time, the Company or its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the final outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from such matters will not have a material adverse effect on the Company's financial position or results of operations and have been adequately provided for in these consolidated financial statements.

In the ordinary course of business, the Company is subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions made by the Company in its tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on the Company's financial position or results of operations.

29. Related Party Transactions

Key Management Compensation

Key management includes the Board of Directors, officers and business unit presidents. The compensation paid or payable to key management for services is shown below:

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term benefits	\$ 9,487	\$ 8,280
Termination benefits	1,428	1,041
Share-based payments ⁽¹⁾	2,877	4,780
	\$ 13,792	\$ 14,101

⁽¹⁾ Includes mark-to-market adjustments on share-based payments.

Altus Group Limited



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29. Related Party Transactions, cont'd

Controlled Entities

Altus Group Limited is the ultimate parent company. In certain circumstances, the Company has control over entities in which it does not own more than 50% voting interest. In making this determination, the Company considers all relevant facts and circumstances in assessing whether it has power over the entity including rights arising from contractual arrangements that allow the Company to direct the relevant activities and be exposed to variable returns of the entity, among other considerations. The consolidated financial statements consolidate the Company and the subsidiaries listed in the following table:

Entity's Name	December 31, 2018
Altus Geomatics Limited Partnership	100%
Altus Geomatics General Partner Corporation ⁽¹⁾	49%
Altus Group Asia Pacific Limited	100%
Altus Group U.S. Inc.	100%
Circle Software Acquisition Limited	100%
Argus Software (UK) Ltd.	100%
Circle Software International Limited (UK)	100%
Voyanta Limited (UK)	100%
Argus Software (Canada), Inc.	100%
Argus Software (Oceanic) Pty Ltd.	100%
Argus Software (Malaysia) Sdn. Bhd.	100%
Altus Group (UK) Limited	100%
2262070 Ontario Limited	100%
Altus Group Data Solutions Inc.	100%
Altus Group S.à.r.l.	100%
Altus Group II ULC	100%
2566207 Ontario Inc.	100%
Altus Group (Vietnam) Limited	100%
Altus Group (India) Private Limited	100%
Altus Group (Singapore) Private Limited	100%
Altus Egypt LLC ⁽²⁾	85%
Altus Group (Hong Kong) Limited	100%
Altus Construction Consultancy (Shanghai) Limited	100%
Altus Group Consulting (Thailand) Company Limited	100%
Altus Group Management Holdings (Thailand) Company Limited	100%

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

29. Related Party Transactions, cont'd

Entity's Name	December 31, 2018
Altus Group Services (Thailand) Company Limited	100%
Altus Group Construction Professionals (Thailand) Company Limited	100%
Altus Group Australia Pty Limited	100%
Altus Group (ACT) Pty Limited	100%
Altus Group Consulting Pty Limited	100%
Altus Group Queensland Pty Limited	100%
Altus Group Cost Management Pty Limited	100%
Altus Group Bay Partnership Pty Limited	100%
Estate Master Group Holdings Pty Limited	100%
Estate Master Pty Limited	100%
Estate Master UK Limited	100%
Estate Master FZ LLC	100%
Altus Group (Hawaii) Inc.	100%
Altus Group ULC	100%
Altus Group LLC	100%
Altus Group II LLC	100%
Argus Software Inc.	100%
Argus Software (Asia) Pte. Ltd.	100%
Altus UK LLP	100%
Altus Group (UK2) Limited	100%
R2G Limited	100%
Maxwell Brown Surveyors Group Limited	100%
Maxwell Brown Surveyors Limited	100%
Lambournes Holdings Limited	100%
Lambournes Trading Services Limited	100%
CVS (Commercial Valuers & Surveyors) Limited	100%
Taliance Group SAS	100%
Taliance, Inc.	100%
Taliance Limited	100%
Taliance Solutions Canada Inc.	100%

⁽¹⁾ Two land surveyors, who are employees of Altus Geomatics Limited Partnership and registered with the Land Surveyors' Association (Alberta), own 51% of the remaining shares.

⁽²⁾ An Egyptian national owns 15% of the remaining shares.

Altus Group Tax Consulting Paralegal Professional Corporation, Altus Group Manitoba Land Surveyors Limited and Altus Geomatics Land Surveying BC Limited are entities under control of the Company and have been consolidated in the Company's consolidated financial statements.



Altus Group

LISTINGS

Toronto Stock Exchange
Stock trading symbol: AIF

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