IBI GROUP 2015 ANNUAL REPORT

IBI

Defining the cities of tomorrow

ibigroup.com

2015 HIGHLIGHTS

FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS

- Revenues increased 9.7% to $327.1 million
- Adjusted EBITDA is $34.4 million
- Net earnings from continuing operations is $9.5 million
- Earnings per share from continuing operations is $0.49
- Total debt reduced by $25.2 million
- Successful refinancing of $90.0 million senior lending facilities
- Completion of fully subscribed rights offering with over $8.9 million in net proceeds
- Redemption of 5.75% of convertible unsecured subordinated debentures for $20.0 million

OPERATIONAL HIGHLIGHTS

- Successfully delivered the **integrated design, planning, and operations** for the 2015 Toronto Pan Am/Parapan Am Games
- Awarded design co-lead for one of **North America's largest transportation projects**, the Eglinton Crosstown Light Rail Transit
- **Expanded our education offering,** IBI Learning+
- **Two of the world's largest hospitals**, designed by IBI Group, opened in 2015
- **Continued to dominate** the high-rise residential sector in Canada, while making a push into key US markets
- Delivered the **international award-winning** traffic management systems software that keeps Metro Vancouver moving

2015 CONTENTS

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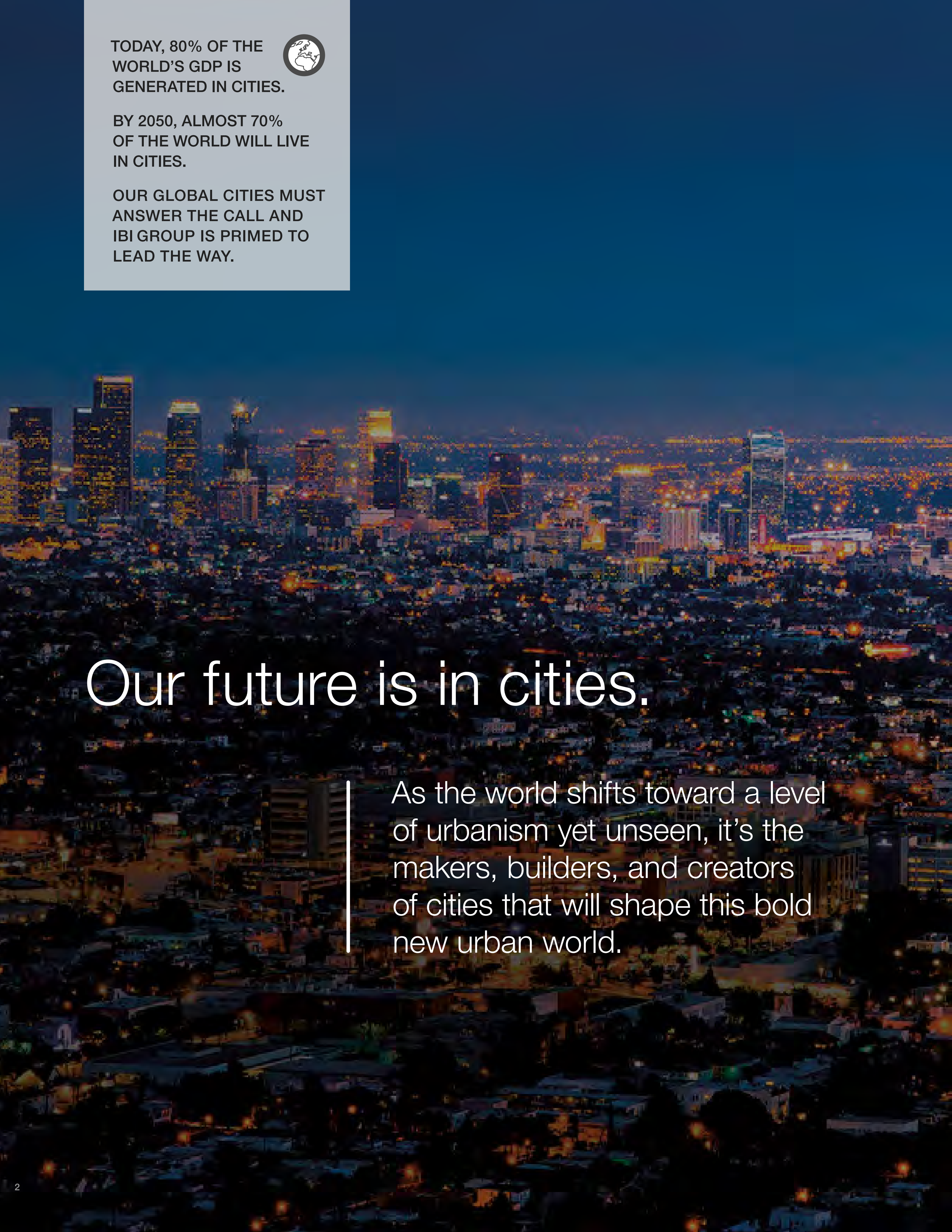
Defining the cities of tomorrow

ibigroup.com

TODAY, 80% OF THE WORLD'S GDP IS GENERATED IN CITIES.

BY 2050, ALMOST 70% OF THE WORLD WILL LIVE IN CITIES.

OUR GLOBAL CITIES MUST ANSWER THE CALL AND IBI GROUP IS PRIMED TO LEAD THE WAY.



Our future is in cities.

As the world shifts toward a level of urbanism yet unseen, it's the makers, builders, and creators of cities that will shape this bold new urban world.

IBI

DEFINING THE CITIES OF TOMORROW

TOWARDS THE **RESILIENT CITY**

The lines between the places we live, learn, work, and heal are becoming increasingly blurred. IBI Group's interdisciplinary expertise in the residential, transportation, education, and healthcare sectors, and our excellence in intelligent systems, interiors, workplaces, innovation districts, and global events amongst others, positions IBI as a world leader in defining the cities of tomorrow.

TOWARDS THE **RESILIENT FIRM**

An integrated service offering, sound financials, and a team of the world's leading urbanists places IBI firmly at the forefront of growth markets in a rapidly urbanizing world.

MOVING THE WORLD
In 2015, IBI delivered seven of Canada's largest infrastructure projects. These projects require the transit-oriented developments and facilities that IBI has proven can design and deliver.

FOCUSING ON LEARNERS
IBI is designing for learner-focused education in local schools, colleges, and innovation districts.

CONNECTING HOME AND COMMUNITY
With residential projects around the world, IBI thinks about the neighbourhood first.

TRANSFORMING HEALTHCARE
IBI is a leading player in the design of advanced healthcare facilities.

MOVE

CUMULATIVE LAND TRANSPORT INFRASTRUCTURE EXPENDITURES WILL REACH $120 TRILLION BY 2050.

The experience of motion...

How we move determines the form, shape, and success of our communities. By placing the experience of mobility at the centre of the design, planning, and operation of complex multi-modal projects, IBI Group is shaping future urban environments.

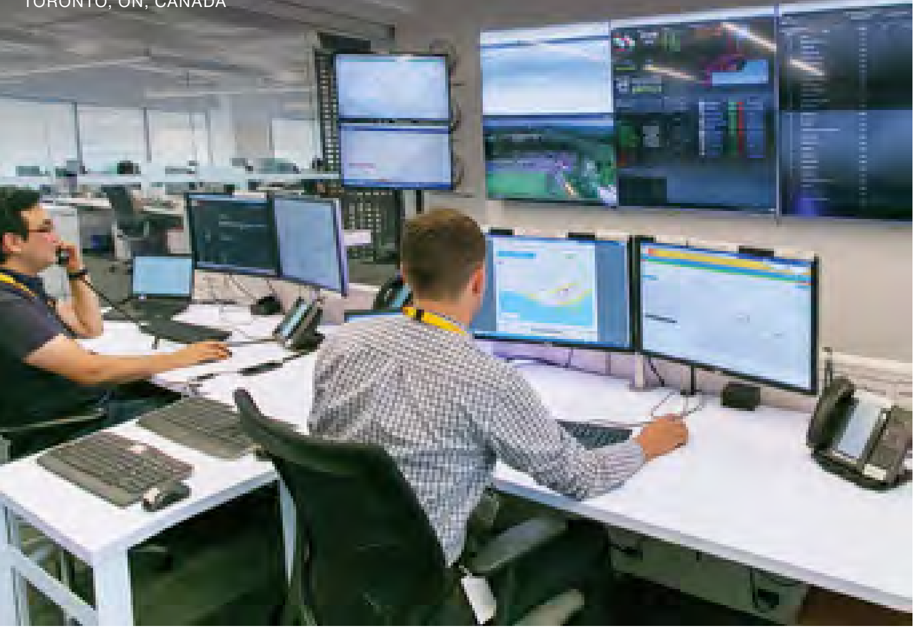
MOVE

THE MANDARIN RESIDENCES AT BRIGHOUSE STATION
RICHMOND, BC, CANADA

EGLINTON CROSSTOWN LIGHT RAIL TRANSIT (ECLRT) – CHAPLIN STATION
TORONTO, ON, CANADA

Rendering is for illustrative purposes only and subject to modifications as design process proceeds.

PAN AM / PARAPAN AM GAMES – SPECTATOR OPERATIONS CONTROL CENTRE
LOCATED AT IBI CORPORATE HEADQUARTERS
TORONTO, ON, CANADA



A WORLD IN MOTION

IBI Group brings together the intelligence, buildings, and infrastructure that constitute transit-oriented development.

From mixed-use development catalyzed by the Canada Line in Vancouver to municipal and regional infrastructure projects like Toronto Eglinton Crosstown and the Calgary Green Line in Canada, to large-scale projects incorporating smart city technologies in Los Angeles, Glasgow, and Bhubaneswar, IBI is keeping the world moving.

And the time is now—globally, billions of dollars of infrastructure investment is planned for the mobility sector over the next several years.

Transportation is essential to creating livable, accessible cities of the future and IBI is a leading global player.

IBI

**IBI GROUP
BY THE NUMBERS**

80 | 20

80 BUS RAPID TRANSIT PROJECTS (TO DATE) **INCLUDING 20 UNDERWAY** (2015)

66 | 12

66 LIGHT RAIL TRANSIT PROJECTS (TO DATE) **INCLUDING 12 UNDERWAY** (2015)

LEARN

TODAY, SUCCESS IS INCREASINGLY DEFINED BY ENTREPRENEURIAL INNOVATION, THE KIND OF AGILE THINKING PROMOTED IN MAKER EDUCATION.

The distribution of learning…

We no longer learn in classrooms or on university campuses alone. Enabled by the increasing bonds between learning, science, and technology, the industry of learning is shifting. From innovation districts to forging new partnerships, IBI Group is teaming up with top educators to become thought leaders in learning.

ALL IMAGES ON THIS SPREAD

DR. KIRK LEWIS CAREER AND TECHNICAL HIGH SCHOOL
PASADENA, TX, USA

Photos by Slyworks Photography

BRINGING GLOBAL PERSPECTIVES HOME

The experience of learning is deeply embedded in community and sense of place. But the future of learning also means bringing new perspectives to where and how we learn. IBI Group's Learning+ practice taps local practitioners with deep community roots who also draw on global best practices. By partnering with leading educators to design evolving learning environments, IBI is helping build a bright future for the next generation.

IBI

IBI GROUP
BY THE NUMBERS

215

EDUCATION PROJECTS IN DESIGN OR UNDER CONSTRUCTION (2015)

200,000+

IBI CONTRIBUTED TO IMPROVING LEARNING OUTCOMES FOR APPROXIMATELY 200,000+ STUDENTS GLOBALLY (2015)

LIVE

DEMAND FOR RESIDENTIAL SPACE IS RISING, BOLSTERED BY INCREASED GDP PER CAPITA AND REDUCTION OF HOUSEHOLD SIZE.

Living beyond four walls…

Bolstered by the global shift toward densification, demand for residential space in cities is on the rise worldwide. Instead of looking outward, IBI Group is connecting people to the city ecosystem by extending the home far beyond its four walls.

LIVE

ONE BURRARD PLACE
VANCOUVER, BC, CANADA

Render by DG Works

CONNECTING HOME AND COMMUNITY

Urban dwellers desire diversity, visual interest, proximity, and access. IBI Group's global projects show our ability to design scalable mixed-use communities that are intrinsically connected to the community. Our work in education, healthcare, transportation, and technology, as well as mixed-use architecture, allows us to bring the richness of community, home.

IBI GROUP
BY THE NUMBERS

465

BUILDINGS IN DESIGN OR UNDER CONSTRUCTION (2015)

92,775

RESIDENTIAL UNITS IN DESIGN OR UNDER CONSTRUCTION (2015)

4,336

HOTEL UNITS IN DESIGN OR UNDER CONSTRUCTION (2015)

150,000+

IBI HAS ACCOMMODATED 150,000+ PEOPLE WITH LIVING SPACE (2015)

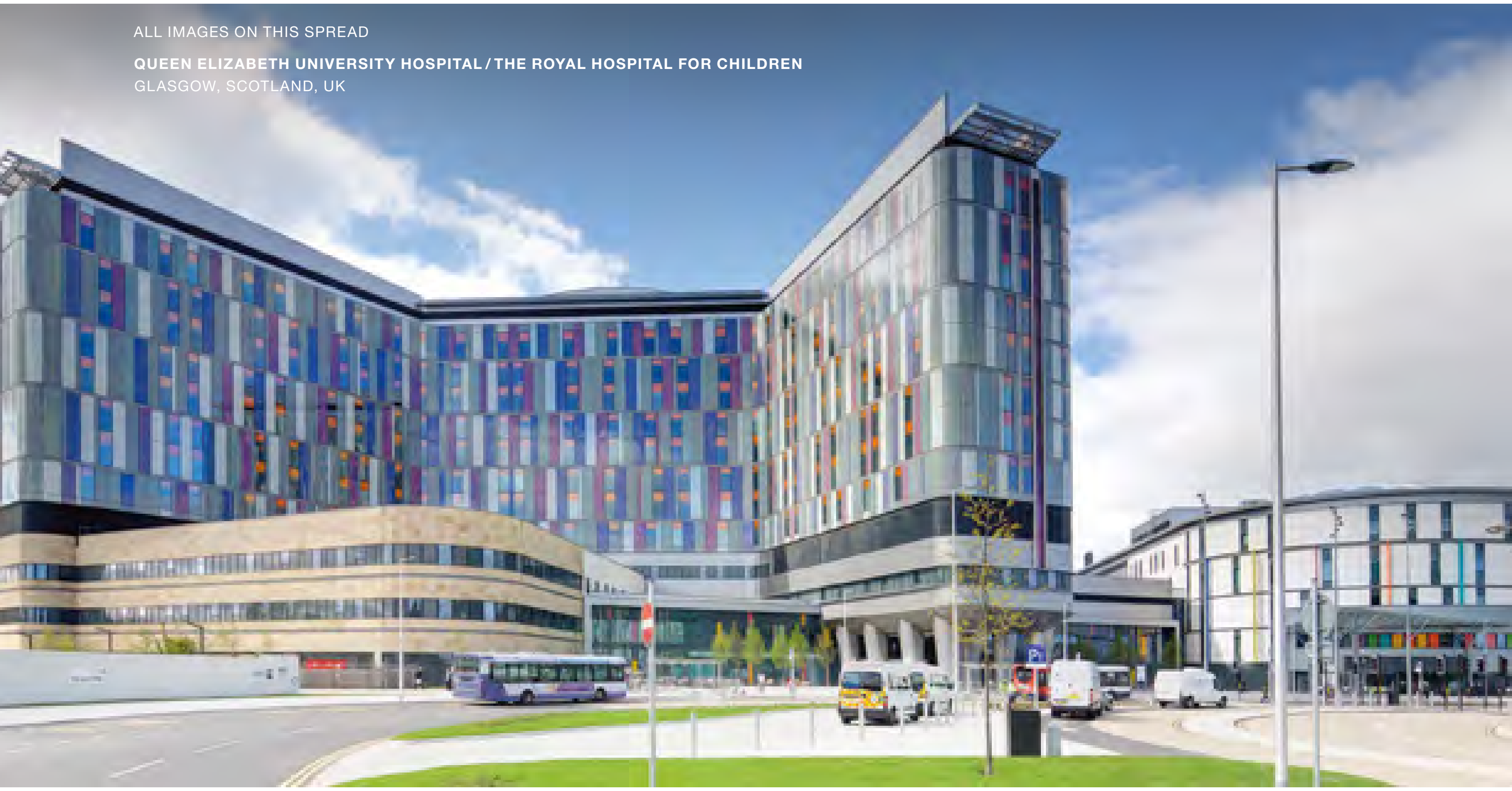
—A SMALL CITY

HEAL

THE AGING POPULATION IN DEVELOPED ECONOMIES WILL REQUIRE MORE INVESTMENT IN HEALTHCARE.

The shift toward wellness . . .

Healthcare should not be understood as just primary care in hospitals. From technologically enabled models that allow elderly patients to receive high quality care at home to delivering sustainable water solutions to city environments, IBI Group is leading a global paradigm shift toward wellness.



ALL IMAGES ON THIS SPREAD

QUEEN ELIZABETH UNIVERSITY HOSPITAL / THE ROYAL HOSPITAL FOR CHILDREN
GLASGOW, SCOTLAND, UK

TRANSFORMING HEALTHCARE INSIDE AND OUTSIDE INSTITUTIONS

IBI Group's Healthcare+ practice is leading the shift toward wellness with the design and delivery of two of the world's premiere healthcare facilities—the LEED® Gold certified McGill University Health Centre in Montreal and the Queen Elizabeth University Hospital / Royal Hospital for Children, Glasgow.

Contemporary preventative care, individual wellness, and healthy cities require smart systems, distributed healthcare delivery, and patient-centred, cross-institutional care.

By applying a multidisciplinary approach to design and application, IBI is at the forefront of the global shift toward wellness.

IBI

IBI GROUP BY THE NUMBERS

1,500+

PROJECTS WITHIN THE GLOBAL HEALTHCARE SECTOR (TO DATE)

1,829,864 **SQ FT**

SIZE OF THE QUEEN ELIZABETH UNIVERSITY HOSPITAL (QEUH) IN GLASGOW (COMPLETED 2015)

1,109 | 240

1,109 ADULT BEDS AND 240 CHILDREN BEDS PROVIDED BY THE QEUH (2015)

KING BLUE
TORONTO, ON, CANADA

OUR MISSION

Defining the Cities of Tomorrow

We define how cities look, how cities feel, and how cities work.

OUR VISION

We are the global partner to plan, design, build, and sustain the cities of tomorrow.

We are holistically minded, design inspired, and technology driven.

OUR VALUES

Integrity
We do what is right.

Partnerships
We work together.

Excellence
We pursue design excellence.

Innovation
We embrace ingenuity.

Community
We build community.

Cities aren't born, they're made.

From the roads, highways, transit lines, and master plans that are the foundation of the city to the buildings that transform space into the places in which we move, live, learn, and heal—at IBI Group, we make cities.

But cities cannot run on form and function alone. They must be smart. We need thinking cities, armed with intelligent systems to improve sustainability, economic competitiveness, and the quality of life for those who call the city home—its people.

At IBI, we make cities.
People give them life.

Founded 1974

Publicly Traded since 2004

2015 Revenues from
Continuing Operations:
$327.1 Million

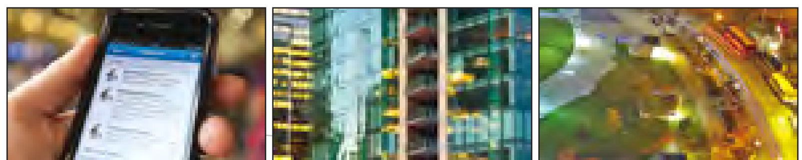
IBI Group is the eighth largest architecture firm in the world.

—World Architecture 100, 2015

CORPORATE HEAD OFFICE: TORONTO

COUNTRIES	REGIONS	OFFICES	EMPLOYEES
11	6	63	2400

THREE SECTORS OF EXPERTISE



Intelligence

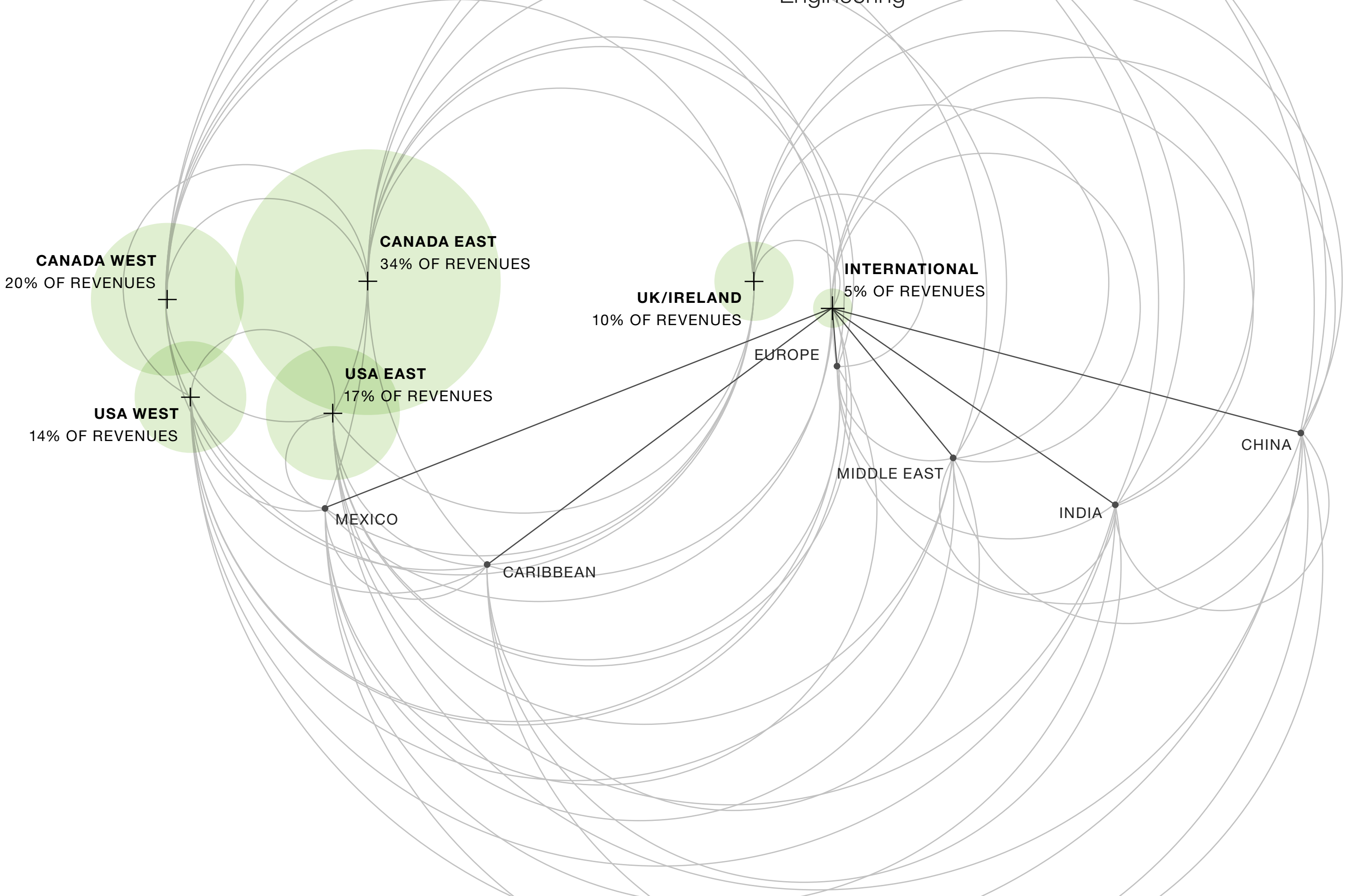
Software
Systems Design
Systems Integration

Buildings

Architecture
Interior Design
Mechanical, Structural, and Electrical Engineering

Infrastructure

Civil Engineering
Landscape Architecture
Planning
Transportation
Urban Design



IBI AT A GLANCE

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

2015 HIGHLIGHTS

2015 PAN AM / PARAPAN AM GAMES
TORONTO, ON, CANADA

Client Ministry of Transportation, Ontario

Integrating planning, design, and operations into one offering, IBI helped deliver a successful Games.

INDIA SMART CITIES CHALLENGE
BHUBANESWAR, INDIA

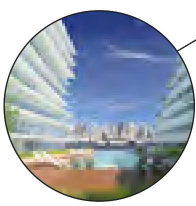
Client JLL India

IBI envisioned the creation of an integrated city operations and maintenance centre, as well as transformation of the heart of the city into a 965-acre district.

LOS ANGELES COUNTY 511 TRAVELER INFORMATION SYSTEM (TIS)
LOS ANGELES, CA, USA

Client LA METRO / LA SAFE

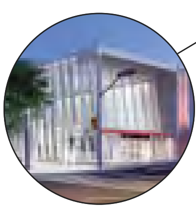
IBI is the prime contractor for the development, deployment, and operation of this TIS for the five-county Greater Los Angeles area.



AVORA AT PORT IMPERIAL
NEW JERSEY, NJ, USA

Client Landsea Holdings Corp.

From a green roof to floor plates that shift with the orientation of the sun, this LEED® Silver condominium rises high above the Hudson.



EGLINTON CROSSTOWN LIGHT RAIL TRANSIT (ECLRT)
TORONTO, ON, CANADA

Client Metrolinx

IBI was awarded design co-lead for Toronto's ECLRT, a 19 km LRT line that includes 25 stations—one of North America's largest transportation projects.

IBI HEALTHCARE CHALLENGE
GLOBAL INTERNAL EVENT

The Healthcare Challenge harnessed the talent, energy, and creativity across the firm to initiate real world solutions that address global health issues.

"IBI today not only has the capability to define the cities of tomorrow, it has the sound corporate infrastructure in place to define a sustainable future of its own."

—Turnaround Management Association (TMA) International Turnaround Company of the Year, 2015

THE NOW, THE NEW, AND THE NEXT

In 2015, IBI Group experienced the first full year under our new Strategic Plan and we exceeded almost all the goals set out in the plan for the year.

Looking forward, the long-term outlook for our industry is bright.

Global investment in infrastructure, buildings, and intelligence remains high in emerging and maturing markets, while deepening public-private partnerships are opening up new pathways for public and private sector investment.

Of particular relevance to IBI Group is transit-oriented development. Expanding means and modes of transportation are producing new hubs of urban growth with demand for transportation infrastructure, mixed-use housing, education, and healthcare facilities to name a few.

The IBI Group Strategic Plan provides a platform for these core business lines to grow, and for IBI to become a global leader in defining the livable communities of today, and the resilient cities of tomorrow.

WORKING THE STRATEGIC PLAN IN 2016

In each quarter of 2015, the firm achieved year over year growth.

We have continued to roll out structural and operational changes for marketing our services, supporting our talent, and implementing new design technologies.

This year, our finance, legal, and technology teams implemented new processes to help the firm manage risk, simplify procedures, and create the conditions to stimulate growth.

In 2016, we will look to expand our core practices and deepen client engagement in key growth markets such as the United States.

Other areas of focus will be the impact of climate change, shifting demographics, and emerging technologies on our markets, our clients, and our services.

IBI is strongly positioned in all of our markets with major transportation projects coming on-stream in Canada, and expanding healthcare, hospitality, residential projects, and smart city initiatives around the world.

2015 GOALS, STRATEGIES, AND PERFORMANCE

GOALS	STRATEGIES	2015 METRICS		2015 PERFORMANCE
GROWTH Grow our fee-based professional services business.	**A FOCUSED APPROACH** Focus on major revenue generators, pursue areas that have potential for substantial growth, and concentrate on higher margin services.	INCREASE OUR TOP-LINE REVENUE CONSISTENT WITH INDUSTRY NORMS	✓	2015 REVENUE OF $327.1 MILLION
FINANCIALS Provide a stable, sustainable financial base.	**EFFICIENT AND SUSTAINABLE** Continue to improve our financial operations and work on a sustainable and productive long-term relationship with capital markets.	ACHIEVE AN EBITDA CONSISTENT WITH INDUSTRY NORMS, WHICH ARE TYPICALLY 8–12%	✓	EBITDA 10.5%
		REDUCE DAY SALES OUTSTANDING (DSO)	✓	DSO REDUCED TO 85 DAYS
OPERATIONS Maximize efficiency and effectiveness.	**GLOBAL FIRM, PROFESSIONALLY MANAGED** Consolidate/regionalize services, implement effective internal processes and systems, and improve operational efficiency and responsiveness.	INCREASE FEE REVENUE SHARE ON PROJECTS BY LEVERAGING INTERNAL EXPERTISE INCREASE COLLABORATION BETWEEN OFFICES		• CREATED PRACTICE LEADER ROUNDTABLE DISCUSSIONS • ESTABLISHED TASK FORCE TO ENHANCE CROSS-BORDER IDEA-SHARING • ADOPTION OF UNIVERSAL DESIGN TECHNOLOGY • LAUNCHED GLOBAL, CROSS-SECTORAL DESIGN COMPETITION
TALENT Nurture and develop our internal pool of talent.	**THOUGHT LEADERSHIP** Encourage a culture of curiosity and innovation, engage, support and mentor staff, and hire the best and brightest.	REDUCE VOLUNTARY TURNOVER	✓	VOLUNTARY TURNOVER REDUCED BY 3.4%
		DEVELOP GREATER DIVERSITY AMONG STAFF	✓	FOSTER EMERGING TALENT THROUGH SCHOLARSHIP AND LEADERSHIP PROGRAMS
AGILITY Increase flexibility, adaptability, and resilience.	**A NETWORKED AND DIVERSIFIED COMPANY** Diversify our regional services, strengthen our cross-sector initiatives, share resources and information, and collaborate across geographies.	INCREASE OUR INTELLIGENCE REVENUE SHARE IN THE BUILDINGS AND INFRASTRUCTURE SECTORS		• INTELLIGENCE REVENUE INCREASING • CONTINUING WORK ON NEW BUSINESS MODELS

"…the firm is stronger than ever and well prepared to anticipate and respond to evolving trends and economic forces."

MESSAGE FROM THE CEO, SCOTT STEWART

2015 was a year where IBI Group was able to put challenges of the past behind us, and concentrate on positioning the firm to take advantage of the bright prospects that our sector holds for the future. It was, in short, a very good year.

The financial highlights of 2015 are significant:

- Adjusted EBITDA grew from $23.7 million in 2014 to $34.4 million in 2015, a 45.1% increase;
- DSO's were reduced from 100 days at the beginning of the year to 85 days, a 15.0% reduction;
- Total debt was reduced by $25.2 million, a 13.3% reduction;
- Total fee revenue for 2015 was $327.1 million, an increase of 9.7% over 2014;
- We put in place a $90 million senior lending facility providing financing through to June 2018.

The growth of our professional practice is equally impressive in scope and diversity as witnessed by the opening of two of the largest hospitals in the world (the Queen Elizabeth University Hospital / Royal Hospital for Children in Glasgow and the McGill University Health Centre in Montreal), both designed by IBI; the design and supervision of over 90,000 residential units across North America; our role as the co-design lead on the Eglinton Crosstown LRT, one of the largest transportation infrastructure projects in North America; the design of over 215 schools accommodating some 200,000 students; and the delivery of the new transportation management and control system for Metro Vancouver, recognized as the best new system in the world by the ITS World Congress. These projects are but a sample of the firm's body of work, but illustrate the focus on urban environments and the themes of 'move, live, learn, and heal.'

The firm continued its investment in corporate services and staff development including an Enterprise Resource Planning (ERP) system to improve management information and project controls; project management training to improve the quality of our services; and investments in new technologies and procedures to support collaboration and improve efficiency and quality across the firm. There has been a major focus on communications, outreach, and engagement with staff including town hall meetings, roundtable discussions, special committees, and internal design competitions. We have also announced an IBI scholarship program, investing in future leaders of the firm. The result—a more skilled and engaged workforce and a more agile and resilient organization.

As we look to 2016 and beyond, IBI is well positioned for the future. Our backlog is the highest it has ever been, urbanization continues as a compelling movement worldwide, and major investments are planned and required in urban infrastructure. There are challenges, but the firm is stronger than ever and well prepared to anticipate and respond to evolving trends and economic forces.

SCOTT STEWART
CEO

MESSAGE FROM THE PRESIDENT, DAVID THOM

2015 was the first full year of application of our three year Strategic Plan. It is proving to be an effective blueprint to guide our day-to-day operations and has enabled us to meet our yearly goals for growth, financial performance, operational efficiency, nurturing of talent, and agility in responding to constantly changing market conditions.

This was a pivotal year in aligning our practice areas with the issues that impact our clients—resilience, adaptability, responsiveness, user experience, and quality of life.

- Our education practice, **IBI Learning+**, has experienced significant growth. Using thought leadership and application of global best practices, we are making our mark on learning.
- We have enhanced the capabilities of our health practice, **IBI Healthcare+** to span large hospitals, small community facilities, assisted living, and seniors housing.
- Leveraging IBI Group services through an integrated offering that combines urban design, landscape architecture, and interiors, we have successfully exported our **Mixed-Use Urban High-Rise** expertise into US markets, including New York City, San Francisco, and Southern California.
- Bolstered by major wins for some of Canada's largest transit systems, our established and award-winning **Transportation** practice spans urban policy and planning, transit-oriented development, architecture, and mobility technologies allowing for a seamless integration of services.

In parallel with the evolution of the different practice areas, 2015 saw the first meeting of the One IBI Roundtable—a rotating body of our senior practitioners from different sectors who meet regularly to discuss future business drivers, and provide thought leadership and direction across the firm. Themes included the role of digital technology, collaboration, and the imperative of innovation to drive top-line growth.

On account of the accomplishments of 2015, the year ahead is promising. We have greater insight into where future opportunities lie, allowing us to continue to develop the practice areas that increase our agility and resilience while focusing on the experience of the end-user. We are aligning our firm with the realities faced by cities and the needs of our clients, positioning us as leaders in 'defining the cities of tomorrow.'

Looking forward to 2016, we are committed to the continued execution of our Strategic Plan and living our core values of integrity, partnerships, excellence, innovation, and community.

D Thom

DAVID THOM
PRESIDENT

“We are aligning our firm with the realities faced by cities and the needs of our clients, positioning us as leaders in ‘defining the cities of tomorrow.’ ”

“IBI Group is shaping future urban environments.”

MESSAGE FROM THE CHAIR OF THE BOARD, DALE RICHMOND

The past three years have served as a powerful demonstration of what vision and leadership can do for an organization.

Since taking on the leadership of IBI Group in 2013, Scott Stewart, our CEO, and David Thom, our President, have successfully positioned IBI for short and long-term growth. Together, they have led IBI through a transformation, resulting in the firm earning its place as a world leader in defining the cities of tomorrow.

Under their leadership, IBI has significantly improved its balance sheet. Today, revenue has grown, the backlog of work to be completed is very healthy, and profitability has improved rapidly with margins exceeding 10%. These accomplishments have increased our share price to the benefit of all shareholders.

With the continued roll out of the structural and operational changes that have driven quarter after quarter of positive growth, all signs point toward a very promising future for IBI. Working with senior management, the Board will continue to provide diligent stewardship and oversight to guide IBI toward a strong and sustainable future.

IBI Group is shaping future urban environments.

DALE RICHMOND
CHAIR OF THE BOARD

2015 FINANCIALS

2015 FINANCIALS

CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

YEARS ENDED DECEMBER 31, 2015 AND 2014

IBI GROUP
7th Floor – 55 St. Clair Avenue West
Toronto ON M4V 2Y7 Canada
tel 416 596 1930 fax 416 596 0644
ibigroup.com

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements and other financial information have been prepared by IBI Group Inc. (the Company) management which is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with International Financial Reporting Standards, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this annual report is generally consistent with the information contained in the accompanying consolidated financial statements.

KPMG, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the Committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Toronto, Canada
March 16, 2016

Scott E. Stewart
Chief Executive Officer

Stephen Taylor
Chief Financial Officer

KPMG LLP
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of IBI Group Inc.

We have audited the accompanying consolidated financial statements of IBI Group Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income (loss), cash flows and changes in deficit for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of IBI Group Inc. as at December 31, 2015 and December 31, 2014, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 16, 2016

IBI GROUP INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Canadian dollars)	NOTES	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS			
Current Assets			
Cash	*6*	**$ 7,968**	$ 10,342
Restricted cash	*6,12*	**3,238**	-
Accounts receivable	*6,12*	**111,771**	106,451
Work in process	*5*	**80,622**	85,371
Prepaid expenses and other current assets		**11,825**	9,460
Income taxes recoverable	*9*	**1,796**	806
Total Current Assets		**$ 217,220**	$ 212,430
Restricted cash	*6,12*	**2,010**	-
Other assets		**480**	1,139
Property and equipment	*7*	**14,923**	12,780
Investment in equity accounted investee	*20*	**32**	817
Intangible assets	*8*	**6,891**	5,317
Deferred tax assets	*9*	**13,684**	19,580
TOTAL ASSETS		**$ 255,240**	$ 252,063
LIABILITIES AND DEFICIT			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	*6,12*	**54,423**	57,449
Deferred revenue	*5*	**38,675**	28,002
Vendor notes payable	*6,19*	**4,238**	5,013
Income taxes payable	*9*	**1,570**	1,397
Consent fee notes payable	*6,19*	**3,067**	-
Finance lease obligation	*6,12*	**148**	693
Credit facilities	*6*	**-**	10,000
Onerous lease provisions	*18*	**995**	687
Due to related parties	*10*	**-**	10,000
Total Current Liabilities		**$ 103,116**	$ 113,241
Onerous lease provisions	*18*	**3,244**	4,051
Consent fee notes payable	*6,19*	**-**	2,631
Finance lease obligation	*6,12*	**104**	235
Credit facilities	*6*	**72,277**	63,423
Convertible debentures	*6*	**84,720**	98,437
Deferred tax liabilities	*9*	**6,660**	8,690
TOTAL LIABILITIES		**$ 270,121**	$ 290,708
DEFICIT			
Shareholders' Deficit			
Share capital	*11*	**248,422**	235,036
Contributed surplus	*11*	**3,002**	2,106
Deficit		**(272,165)**	(279,546)
Convertible debentures – equity component	*6*	**4,956**	5,852
Accumulated other comprehensive loss		**(4,220)**	(3,398)
Total Shareholders' Deficit		**$ (20,005)**	$ (39,950)
Non-controlling interest	*11*	**5,124**	1,305
TOTAL DEFICIT		**$ (14,881)**	$ (38,645)
TOTAL LIABILITIES AND DEFICIT		**$ 255,240**	$ 252,063

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

YEAR ENDED DECEMBER 31, 2015 *(thousands of Canadian dollars, except per share amounts)*	**NOTES**		**2015**		**2014**
Revenue		$	**327,092**	$	298,274
Expenses					
Salaries, fees and employee benefits			**229,900**		212,180
Rent	*14,18*		**23,466**		26,848
Other operating expenses			**37,136**		38,837
Foreign exchange (gain)	*12(a)*		**(8,699)**		(2,089)
Amortization of intangible assets	*8*		**784**		819
Amortization of property and equipment	*7*		**4,024**		2,669
Impairment of property and equipment	*7,18*		**-**		3,248
Impairment of financial assets	*12*		**1,486**		2,812
			288,097		285,324
OPERATING INCOME		$	**38,995**	$	12,950
Interest expense, net	*12,15*		**21,792**		18,693
Other finance costs (income)	*15*		**908**		(14,585)
FINANCE COSTS		$	**22,700**	$	4,108
Share of loss of equity accounted investee, net of tax	*20*		**785**		81
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS		$	**15,510**	$	8,761
Current tax expense	*9*		**381**		1,540
Deferred tax expense	*9*		**3,793**		1,302
INCOME TAXES		$	**4,174**	$	2,842
Net income from continuing operations			**11,336**		5,919
Net loss from discontinued operations	18		**(1,873)**		(9,079)
NET INCOME (LOSS)		$	**9,463**	$	(3,160)
OTHER COMPREHENSIVE LOSS					
Items that are or may be reclassified to profit or loss					
Loss on translating financial statements of foreign operations from continuing operations, net of tax			**(1,054)**		(366)
OTHER COMPREHENSIVE LOSS, NET OF TAX			**(1,054)**		(366)
TOTAL COMPREHENSIVE INCOME (LOSS)		$	**8,409**	$	(3,526)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		$	**7,381**	$	(2,458)
Non-controlling interests	*11*		**2,082**		(702)
NET INCOME (LOSS)		$	**9,463**	$	(3,160)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		$	**6,559**	$	(2,742)
Non-controlling interests	*11*		**1,850**		(784)
TOTAL COMPREHENSIVE INCOME (LOSS)		$	**8,409**	$	(3,526)
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic and diluted earnings per share	*11*	$	**0.41**	$	(0.14)
Basic and diluted earnings per share from continuing operations	*11*	$	**0.49**	$	0.26
Basic and diluted earnings per share from discontinued operations	*11*	$	**(0.08)**	$	(0.40)

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31 *(thousands of Canadian dollars)*	NOTES		2015		2014
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES					
Net income (loss)		$	9,463	$	(3,160)
Items not affecting cash:					
Gain on extinguishment of 7.0% convertible debentures	*6*		-		(22,028)
Loss on issuance of consent fee notes payable	*6,19*		-		2,473
Onerous lease provision	*18*		(499)		4,738
Amortization of property and equipment	*7*		4,024		2,669
Impairment of property and equipment	*7,18*		-		3,248
Amortization of intangible assets	*8*		784		819
Amortization of deferred financing costs	*6*		245		3,803
Share of loss of equity-accounted investee, net of tax	*20*		785		81
Impairment on remeasurement of discontinued operations	*18*		-		6,981
Cumulative translation adjustment on discontinued operations	*18*		-		438
Foreign exchange (gain)	*12*		(8,699)		(2,089)
Interest expense, net	*15*		21,792		18,693
Deferred income taxes	*9*		3,793		1,302
Interest paid			(14,824)		(14,362)
Income taxes paid			(1,486)		(996)
Change in non-cash operating working capital	*13*		15,448		22,026
NET CASH PROVIDED BY OPERATING ACTIVITIES		$	30,826	$	24,636
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES					
Payments on principal of notes payable	*19*		(1,609)		(795)
Payments on principal of credit facilities			(2,573)		(17,514)
Deferred financing costs	*6*		(2,839)		
Payments on principal of finance lease obligation			(676)		-
Redemption of 5.75% convertible debentures	*6*		(20,000)		-
Proceeds from shares issued	*11*		5,579		-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		$	(22,118)	$	(18,309)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES					
Purchase of property and equipment	*7*		(5,613)		(13,566)
Purchase of intangible assets	*8*		(1,650)		-
Restricted cash			(4,857)		-
Disposal of discontinued operations, net of cash held in escrow	*18*		-		9,082
NET CASH USED IN INVESTING ACTIVITIES		$	(12,120)	$	(4,484)
Effect of foreign exchange rate fluctuations on cash held	*12*		1,038		433
NET INCREASE IN CASH		$	(2,374)	$	2,276
Cash, beginning of period			10,342		8,066
CASH, END OF PERIOD		$	7,968	$	10,342

NET CASH IS COMPRISED OF:				
Cash from continuing operations, end of period	$	7,968	$	10,261
Cash from discontinued operations, end of period		-		81
CASH, END OF PERIOD	$	7,968	$	10,342

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT

YEAR ENDED DECEMBER 31 *(thousands of Canadian dollars)*	NOTES		2015		2014
SHARE CAPITAL					
Share capital, beginning of period		$	235,036	$	234,358
Shares issued	*11*		13,386		678
SHARE CAPITAL, END OF PERIOD		$	248,422	$	235,036
CONTRIBUTED SURPLUS					
Contributed surplus, beginning of period			2,106		-
Redemption of 5.75% convertible debentures			896		-
Surplus on exchange of shares			-		2,106
CONTRIBUTED SURPLUS, END OF PERIOD		$	3,002	$	2,106
DEFICIT					
Deficit, beginning of period			(279,546)		(277,088)
Net income / (loss) attributable to common shareholders			7,381		(2,458)
DEFICIT, END OF PERIOD		$	(272,165)	$	(279,546)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT					
Convertible debentures, beginning of period	*6(b)*		5,852		5,852
Redemption of 5.75% convertible debentures	*6(b)*		(896)		-
CONVERTIBLE DEBENTURES, END OF PERIOD		$	4,956	$	5,852
ACCUMULATED OTHER COMPREHENSIVE LOSS					
Accumulated other comprehensive loss, beginning of period			(3,398)		(3,114)
Other comprehensive loss attributable to common shareholders			(822)		(284)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		$	(4,220)	$	(3,398)
TOTAL SHAREHOLDERS' DEFICIT		$	(20,005)	$	(39,950)
NON-CONTROLLING INTEREST					
Non-controlling interest, beginning of period			1,305		4,623
Total comprehensive income / (loss) attributable to non-controlling interests	*11*		1,850		(784)
Issuance / (Redemption) of shares issued	*11*		1,969		(2,534)
NON-CONTROLLING INTEREST, END OF PERIOD		$	5,124	$	1,305
TOTAL DEFICIT, END OF PERIOD		$	(14,881)	$	(38,645)

See accompanying notes to the consolidated financial statements.

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

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

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership ("IBI Group"), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at December 31, 2015, the Company's common share capital consisted of 24,966,744 (2014 – 17,808,484) issued and outstanding shares. Each share entitles the holder to one vote at all meetings of shareholders.

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

If all of the outstanding Class B partnership units were converted to common shares, the common share capital as at December 31, 2015 would be 31,248,966 (December 31, 2014 – 22,834,262). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 44.5% of the voting shares as at December 31, 2015 (December 31, 2014 – 39.0%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2015:

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL OWNERSHIP
Class B partnership units and non-participating voting shares held by the Management Partnership	6,282,222	20.1%
Common shares held by the Management Partnership and affiliated partnerships	7,619,874	24.4%

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2014:

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL OWNERSHIP
Class B partnership units held by the Management Partnership	5,025,778	22.0%
Common shares held by the Management Partnership and affiliated partnerships	3,850,206	16.9%

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

The table below summarizes the trading symbols of the Company's securities which are listed on the Toronto Stock Exchange as at December 31, 2015:

SECURITY	TRADING SYMBOL
Common shares	"IBG"
6.0% convertible debentures, $57,500 principal, convertible at $21 per share, matures on June 30, 2018	"IBG.DB.B"
7.0% convertible debentures (Option A), $14,755 principal, convertible at $19.17 per share, matures on June 30, 2019	"IBG.DB.C"
7.0% convertible debentures (Options B and C), $31,245 principal, convertible at $5.00 per share, matures on June 30, 2019	"IBG.DB"

The Company's registered head office is 55 St. Clair Ave. West, 7th Floor, Toronto, Ontario, M5V 2Y7.

NOTE 2: BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

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

The consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 16, 2016.

(b) BASIS OF MEASUREMENT

These consolidated financial statements were prepared on a going concern basis. Amounts are recorded under the historical cost convention, except for certain financial liabilities measured at fair value through profit or loss ("FVTPL"), as described in Note 3(i).

(c) BASIS OF CONSOLIDATION

SUBSIDIARIES

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

JOINT ARRANGEMENTS

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

The Company recognizes its assets, liabilities and transactions in relation to its joint operations in the consolidated financial statements.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

NON-CONTROLLING INTEREST

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

(d) FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

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

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

(e) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

REVENUE RECOGNITION

The Company also enters into contracts that require multiple deliverables, which can include software and hardware elements. Management applies judgment when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgment is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement, and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

RECOVERABILITY OF ACCOUNTS RECEIVABLE

The Company records accounts receivable net of impairment losses determined based on the age of the outstanding receivables, factors specific to individual clients and its historical collection and loss experience.

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the consolidated financial statements for the year ended December 31, 2015 are as follows:

REVENUE RECOGNITION AND DEFERRED REVENUE

The Company accounts for certain of its revenue in accordance with IAS 11 *Construction Contracts*, ("IAS 11") which requires estimates to be made for contract costs and revenues and IAS 18 *Revenue* ("IAS 18"). Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best estimate based on the information available at that point in time. The Company also provides for estimated losses on contracts in-progress in the period in which such losses are determined. Deferred revenue is recorded when billings to the clients exceeds the revenue that has been earned based on effort completed at the date of the consolidated statement of financial position. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

VALUATION OF WORK IN PROCESS

The Company records its work in process based on the time and materials charged into each project. The work in process for each project is reviewed on a monthly basis to determine whether the amounts recorded are recoverable. Where the review determines that the value of work in process exceeds the amount that can be invoiced, provisions are made to the work in process and revenue is reduced. The valuation of the work in process involves estimates of the professional costs to be incurred to complete the project.

ONEROUS LEASE PROVISIONS

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

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognized when the underlying contractual obligation is discharged, cancelled or expires. Derecognition accounting is applied when certain criteria are met and as described in note 6 – Financial Instruments, management applied judgement in assessing the criteria that lead to accounting for the change in terms of the convertible debentures and credit facility as an extinguishment of the liability.

DETERMINING PROBABLE FUTURE UTILIZATION OF TAX LOSS CARRYFORWARDS

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the cost approach. Stage of completion is measured by reference to professional costs incurred to date as a percentage of total professional costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Revenue from time-and-material contracts without stated ceilings and short-term projects, is recognized as costs are incurred. Revenue is calculated based on billing rates recoverable under the contract for the services performed.

Provisions for estimated losses on contracts in-progress are made in the period in which the losses are determined. The effect of revisions to estimated revenues and costs is recorded when the amounts are known or can be reasonably estimated. Where total contract costs exceed, or are expected to exceed, revenues, the anticipated loss is immediately recognized as an expense.

Accounts receivable is valued at amortized cost net of allowances for impairment losses (refer to note 3(i) for further discussion on financial instruments).

The Company's software license agreements are multiple-element arrangements as they may also include maintenance, professional services and hardware. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

b) WORK IN PROCESS AND DEFERRED REVENUE

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

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

An allowance account is also maintained on work in process, measured by the estimated amount of professional costs that are expected not to be invoiced. When work in process is determined not recoverable, the amount is written off in the reserve for work in process.

c) CASH

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

d) PROPERTY AND EQUIPMENT

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

ASSET	BASIS	RATE
Office furniture and equipment	Diminishing balance	20%
Computer equipment	Straight line	2 years
Vehicles	Diminishing balance	20%
Leasehold improvements	Straight line	Term of lease

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

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

e) INTANGIBLE ASSETS

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

ASSET	BASIS	AMORTIZATION PERIOD
Customer relationships	Straight line	8-10 years
Contracts backlog	Straight line	1-2 years
Non-competition provisions	Straight line	3-4 years

f) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

g) INCOME TAXES

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

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

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

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

h) SHARE-BASED COMPENSATION

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

i) FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are required to be classified into one of the following categories:

- Financial assets are classified as either FVTPL, available-for-sale, held-to-maturity investments or loans and receivables; and
- Financial liabilities are classified as either FVTPL or other liabilities.

All financial assets and liabilities are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at FVTPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The table below summarizes the classification and subsequent measurement of the Company's financial assets and liabilities:

FINANCIAL INSTRUMENT	CLASSIFICATION	MEASUREMENT
FINANCIAL ASSETS		
Cash	FVTPL	Fair value
Restricted cash	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Deferred share plan liability[1]	FVTPL	Fair value
Due to related parties	Other liabilities	Amortized cost
Vendor notes payable	Other liabilities	Amortized cost
Consent fee notes payable	Other liabilities	Amortized cost
Finance lease obligation	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Convertible debentures – liability component	Other liabilities	Amortized cost

FINANCIAL ASSETS AT FVTPL

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of comprehensive income (loss) in the period in which they arise.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the consolidated statement of financial position. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method, net of allowance for impairment losses.

IMPAIRMENT

The Company's policy is to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The Company maintains an allowance for impairment losses on accounts receivable. The estimate is based on the best assessment of the collectability of the related receivable balance, based in part, on the age of the outstanding receivables and in part on the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction

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

is recognized in impairment of financial assets in the consolidated statement of comprehensive income (loss).

Subsequent recoveries of the amounts previously written off are charged against the allowance account and recognized as income in the consolidated statement of comprehensive income (loss).

FINANCIAL LIABILITIES AND EQUITY

Debt and equity instruments are classified as either financial liabilities or as equity (in accordance with the substance of the contractual arrangement). An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded net of direct issue costs.

Debt securities issued and other liabilities are recognized at fair value on the date that they originated. Other financial liabilities are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Financial liabilities are classified as either financial liabilities at FVTPL or as other liabilities.

FINANCIAL LIABILITIES AT FVTPL

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of comprehensive income (loss) in the period in which they arise.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are carried at amortized cost using the effective interest rate method.

EFFECTIVE INTEREST METHOD

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial instrument on initial recognition.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company consist of convertible debentures that can be converted into share capital at the option of the holder. The liability component of a compound financial instrument is measured initially at fair value, calculated as the net present value of the liability without a conversion option and using a discount rate reflective of a liability instrument without a conversion factor. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon derecognition, the equity component of a compound financial instrument is reclassified to contributed surplus.

DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the assets. Any interest in transferred assets that are created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the underlying contractual obligation is legally discharged, cancelled or expires.

j) LEASES

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

OPERATING LEASE

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

FINANCE LEASE

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

k) PROVISIONS

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

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

ONEROUS CONTRACTS

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

NOTE 4: CHANGES IN ACCOUNTING POLICIES ADOPTED AND NOT YET ADOPTED

a) CHANGES IN ACCOUNTING POLICIES

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2015. The adoption of the amendments did not have a material impact on the consolidated financial statements.

b) FUTURE ACCOUNTING POLICY CHANGES

Annual Improvements to IFRS (2012 - 2014) Cycles

In September 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IAS 1 *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to provide guidance on the application of judgment in the preparation of financial statements and disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

In May 2014, IFRS 11 *Joint Arrangements ("IFRS 11")* was amended to require an acquisition of a joint operation that constitutes a business to be accounted for using the principles of business combinations in IFRS 3 *Business Combinations*. This amendment applies to both initial and additional interest acquired in the joint operation. The Company intends to adopt the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*

In September 2014, IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* were amended to clarify an inconsistency between the two standards relating to the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires that a full gain or loss is recorded if the sold or contributed assets do not constitute a business. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11, IAS 18, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue. The model features a contract-based five step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted.

IFRS 16 will replace IAS 17 *Leases*.

The new standard requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

NOTE 5: SEGMENT INFORMATION

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

(a) OPERATING SEGMENTS

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

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

(b) GEOGRAPHIC SEGMENTS

The following table demonstrates certain consolidated statement of financial position information line items segmented geographically as at December 31, 2015, with comparatives as at December 31, 2014:

	AS AT DECEMBER 31, 2015			
	CANADA	U.S.	INTERNATIONAL	TOTAL
Property and equipment	$ 10,584	$ 2,533	$ 1,806	$ 14,923
Intangible assets	2,766	3,306	819	6,891
Work in process	56,275	15,053	26,766	98,094
Reserve for work in process	(14,137)	(557)	(2,778)	(17,472)
Work in process, net	42,138	14,496	23,988	80,622
Deferred revenue	25,909	8,492	4,274	38,675
Total assets	120,168	62,233	72,839	255,240

	AS AT DECEMBER 31, 2014			
	CANADA	U.S.	INTERNATIONAL	TOTAL
Property and equipment	$ 9,550	$ 1,974	$ 1,256	$ 12,780
Intangible assets	1,115	3,356	846	5,317
Work in process	71,931	16,759	21,178	109,868
Reserve for work in process	(20,145)	(2,687)	(1,665)	(24,497)
Work in process, net	51,786	14,072	19,513	85,371
Deferred revenue	19,652	5,621	2,729	28,002
Total assets	144,224	50,772	57,067	252,063

The following table demonstrates certain information contained in the consolidated statement of comprehensive income (loss) segmented geographically for the year ended December 31, 2015, with comparatives for the year ended December 31, 2014. The unallocated amounts pertain to interest on convertible debentures.

	YEAR ENDED DECEMBER 31, 2015				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	$ -	$ 176,760	$ 102,848	$ 47,484	$ 327,092
Net income (loss) from continuing operations	$ (7,781)	$ 16,049	$ 3,331	$ (263)	$ 11,336

	YEAR ENDED DECEMBER 31, 2014				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	$ -	$ 166,497	$ 85,294	$ 46,483	$ 298,274
Net income (loss) from continuing operations	$ (7,820)	$ 8,505	$ 3,242	$ 1,992	$ 5,919

NOTE 6: FINANCIAL INSTRUMENTS

(a) INDEBTEDNESS

On October 5, 2015, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The new arrangement consists of a $90,000 revolver facility, of which a maximum of $10,000 is available under a swing line facility and will mature on June 30, 2018. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. The existing credit facilities were paid off in full upon closing under the terms of the new agreement and $20,000 was placed in a segregated cash collateral account ("Sinking Fund") upon closing. This amount was used to redeem the 5.75% convertible debentures on December 18, 2015. The agreement requires additional deposits each quarter for pre-defined amounts to the Sinking Fund as noted below:

October 5, 2015	$	20,000
December 31, 2015		2,000
March 31, 2016		3,250
June 30, 2016		3,250
September 30, 2016		3,250
December 31, 2016		3,250
March 31, 2017		3,250
June 30, 2017		3,250
September 30, 2017		3,250
December 31, 2017		3,250
March 31, 2018		3,750
June 30, 2018		3,750

The additional deposits in the Sinking Fund are pledged to repay the credit facilities or convertible debentures, and as security in the event of default. IBI Group made the December 31, 2015 deposit to the Sinking Fund, which has been recognized in restricted cash in the consolidated statement of financial position. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin.

As at December 31, 2015, IBI Group has borrowings of $74,872 under the credit facilities, which has been recognized in the consolidated statement of financial position net of deferred financing costs of $2,595. IBI Group has letters of credit outstanding of $5,318 as at December 31, 2015, of which $3,091 is issued under a $5,000 facility which matures on July 31, 2016 and supports letters of credit backstopped by EDC. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2015, $30,000 was outstanding under Bankers' Acceptance with the remainder borrowed as Prime Rate debt.

As at December 31, 2014, IBI Group had a credit facility of $82,000 comprised of a swing line facility of $3,500, a revolver facility of $14,500, an office capital expenditure facility of $7,000, a letter of credit facility of $5,000 and a term facility of $52,000. As at December 31, 2014, IBI Group had borrowings of $73,423 under the credit facilities and had issued letters of credit of $4,855. According to the terms of the agreement, this credit facility was set to mature on March 31, 2016. The revolver facility was subject to a borrowing base calculation. In addition, advances under these credit facilities bore interest at a rate based on the Canadian dollar or U.S. dollar prime rate, LIBOR or banker's acceptance rates, pus, in each case, an applicable margin.

The refinancing of the credit facilities was considered an extinguishment of debt for accounting purposes. Consequently, the original credit facilities were derecognized and the new credit facilities were recognized at fair value. Transaction costs associated with the new credit facilities were capitalized against the credit facilities and are being amortized on a straight line basis to the end of the term of the new credit facilities using the effective interest method. As at December 31, 2015, deferred financing costs of $2,595 are included in the consolidated statement of financial position, net of related amortization of $245 that has been recognized in other finance costs in the consolidated statement of comprehensive income (loss). There were no deferred financing costs related to the original credit facilities as all capitalized costs have previously been recognized in other finance costs in the consolidated statement of comprehensive income (loss).

The new facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the new agreement include a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2015.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and the continued improvement of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

(b) CONVERTIBLE DEBENTURES

The Company had three series of convertible debentures outstanding, one of which was redeemed during the year ended December 31, 2015.

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

5.75% DEBENTURES ($20,000 PRINCIPAL, REDEEMED ON DECEMBER 18, 2015)

The 5.75% Debentures were recorded as compound financial instruments. The liability component was recorded at fair value on the date of conversion to a corporation and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. As at December 31, 2014, the liability component has an amortized cost of $18,838. The equity component for the conversion feature of $896 was measured at the fair value on the date of conversion to a corporation. The 5.75% Debentures had a maturity date of June 30, 2017 at $20,000. The 5.75% Debentures were convertible into shares of the Company at the option of the holder at a conversion price of $20.52 per unit. The 5.75% Debentures were redeemable by the Company at a price of $1,000 per 5.75% Debenture, plus accrued and unpaid interest, on or after June 30, 2015 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2015, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of $20.52). The Debentures bore interest from the date of issue at 5.75% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year.

On December 18, 2015, the Company financed the redemption of its 5.75% Debentures for $20,000 cash from the credit facilities, plus paid accrued and unpaid interest up to but excluding the redemption date. The 5.75% Debentures were accreted to principal, resulting in $1,162 of accretion expense being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2015. The equity component of $896 was reclassified to contributed surplus upon redemption.

6.0% DEBENTURES ($57,500 PRINCIPAL, MATURES ON JUNE 30, 2018)

The 6.0% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on the date of conversion to a corporation and was subsequently measured at amortized cost using the effective interest method over the life of the 6.0% Debentures. As at December 31, 2015, the liability component has an amortized cost of $55,102 (December 31, 2014 - $54,266). The equity component for the conversion feature of $3,206 is measured at the fair value on the date of conversion to a corporation. The 6.0% Debentures have a maturity date of June 30, 2018 at $57,500. The 6.0% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $21.00 per share. The 6.0% Debentures are redeemable by the Company at a price of $1,000 per 6.0% Debenture, plus accrued and unpaid interest, on or after June 30, 2014 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2016, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of $21.00). The Debentures bear interest from the date of issue at 6.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The fair value of the 6.0% Debentures was $42,493 based on the quoted market price as at December 31, 2015.

7.0% DEBENTURES ($46,000 PRINCIPAL, MATURES ON JUNE 30, 2019)

On July 23, 2014, the Company entered into a supplemental trust indenture with CIBC Mellon Trust Company, the trustee for the 7.0% convertible unsecured subordinated debentures ("Debentures") which were originally scheduled to mature on December 31, 2014, to give effect to the amendments approved at a special meeting of the Debenture holders to extend the maturity of the Debentures to June 30, 2019. In exchange for the extension of the maturity, Debenture holders that delivered and did not withdraw a valid proxy voting for the extension received either; a reduced conversion price to $5.00 per share from $19.17 per share with a consent fee note equal to $86.96 per $1,000 principal amount of Debentures ("Option B") or the Debenture holders retained the conversion price of $19.17 per share and received a consent fee note equal to $195.65 per $1,000 principal amount of Debentures ("Option A"). The conversion price was also reduced to $5.00 per share from $19.17 per share for Debenture holders who did not deposit a proxy, abstained from voting or voted against the Debenture amendments ("Option C"). The Debentures bear interest from the date of issue at 7.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The consent fee notes are unsecured, non-convertible, mature on December 31, 2016 and bear interest at the rate of 7.0% per annum which is payable on maturity.

The amendments to the Debentures resulted in them being accounted for as extinguishments for accounting purposes. Consequently, the original Debentures were derecognized and the new Debentures (under Option A, B and C) were recognized at fair value, resulting in a pre-tax gain on extinguishment of $21,137, net of transaction costs of $891 which was recorded to other finance costs in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2014. See Note 15 – Finance Costs (Income), for further detail regarding finance costs for the year ended December 31, 2014.

The fair value of the new Debentures issued under Option B and C of $18,747 was estimated using the observed trading price as these Debentures are considered to be traded in an active market. The fair value was then allocated to the liability component in the amount of $15,922 using discounted future cash flows at an estimated fair value discount rate of 26.5% and the residual was allocated to the Option B and C conversion feature in equity. The fair value of the new Debentures issued under Option A of $7,519 was estimated using discounted future cash flows at an estimated fair value discount rate of 26.5%, with a comparison to pre-modification observed trading prices indicating that the equity component was of nominal value. As a result, substantively all of the fair value of the new Debentures issued under Option A was allocated to the liability component.

The fair value of the consent fee notes issued under Option A and B were $1,984 and $453 respectively, using discounted future cash flows at an estimated fair value discount rate of 26.5%.

The new Debentures and consent fee notes were subsequently measured at amortized cost using the effective interest method over their respective lives to maturity. As at December 31, 2015, the liability component of the new Debentures have an amortized cost of $29,618 (December 31, 2014 - $25,333) and the consent fee notes have an amortized cost of $3,067 (December 31, 2014 - $2,631). Accretion expense for the new Debentures and consent fee notes was $4,721 for the year ended December 31, 2015 (December 31, 2014 - $2,085). See Note 15 – Finance Costs (Income), for further detail regarding the accretion expense for the period. The equity component for the conversion feature of the new Debentures in the amount of $2,894 is measured at fair value at the date of issuance.

Post amendment, the ticker symbol for the new Debentures under Option B and C (aggregate principal amount of $31,245) is IBG.DB and for Option A (aggregate principal amount of $14,755) is IBG.DB.C. The fair value of the new Debentures under Option B and C was $23,293 and for Option A was $10,624 based on their respective quoted market price as at December 31, 2015.

The movement in convertible debentures for the year ended December 31, 2015 is as follows:

	LIABILITY COMPONENT	EQUITY COMPONENT	TOTAL
Balance, January 1, 2015	$ 98,437	$ 5,852	$ 104,289
Accretion of convertible debentures	6,283	-	6,283
Redemption of 5.75% convertible debentures	(20,000)	(896)	(20,896)
BALANCE, DECEMBER 31, 2015	$ 84,720	$ 4,956	$ 89,676

The movement in convertible debentures for the year ended December 31, 2014 is as follows:

	LIABILITY COMPONENT	EQUITY COMPONENT	TOTAL
Balance, January 1, 2014	$ 116,760	$ 5,852	$ 122,612
Accretion of convertible debenture	3,705	-	3,705
Gain on extinguishment of 7.0% convertible debentures	(22,028)	-	(22,028)
Derecognition of 7.0% convertible debentures	-	(2,774)	(2,774)
Recognition of amended 7.0% convertible debentures	-	2,894	2,894
Impact of extinguishment of 7.0% convertible debentures	-	(120)	(120)
BALANCE, DECEMBER 31, 2014	$ 98,437	$ 5,852	$ 104,289

(c) FINANCIAL ASSETS AND LIABILITIES

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

The carrying amount of the Company's financial instruments as at December 31, 2015 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS				
Cash	$ 7,968	$ -	$ -	$ 7,968
Restricted cash	5,248	-	-	5,248
Accounts receivable	-	111,771	-	111,771
TOTAL	$ 13,216	$ 111,771	$ -	$ 124,987
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 53,696	$ 53,696
Deferred share plan liability[1]	727	-	-	727
Vendor notes payable	-	-	4,238	4,238
Consent fee notes payable	-	-	3,067	3,067
Finance lease obligation	-	-	252	252
Credit facilities	-	-	72,227	72,227
Convertible debentures	-	-	84,720	84,720
TOTAL	$ 727	$ -	$ 218,200	$ 218,927

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

The carrying amount of the Company's financial instruments as at December 31, 2014 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS				
Cash	$ 10,342	$ -	$ -	$ 10,342
Accounts receivable	-	106,451	-	106,451
TOTAL	$ 10,342	$ 106,451	$ -	$ 116,793
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 57,058	$ 57,058
Deferred share plan liability[1]	391	-	-	391
Due to related parties	-	-	10,000	10,000
Vendor notes payable	-	-	5,013	5,013
Consent fee notes payable	-	-	2,631	2,631
Finance lease obligation	-	-	928	928
Credit facilities	-	-	73,423	73,423
Convertible debentures	-	-	98,437	98,437
TOTAL	$ 391	$ -	$ 247,490	$ 247,881

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

The following tables summarize the Company's fair value hierarchy for those assets and liabilities that are measured at fair value on a recurring basis as at December 31, 2015 and December 31, 2014:

	AS AT DECEMBER 31, 2015		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 7,968	$ -	$ -
Restricted cash	5,248	-	-
Deferred share plan liability[1]	-	727	-
	$ 13,216	$ 727	$ -

	AS AT DECEMBER 31, 2014		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 10,342	$ -	$ -
Deferred share plan liability[1]	-	391	-
	$ 10,342	$ 391	$ -

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

NOTE 7: PROPERTY AND EQUIPMENT

(a) CARRYING AMOUNT

Proceeds from disposals are netted against the related assets and the accumulated depreciation, and are included in the consolidated statement of comprehensive income (loss). Property and equipment consist of the following:

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
COST					
January 1, 2014	$ 8,110	$ 14,554	$ 207	$ 9,680	$ 32,551
Additions	3,316	2,098	-	8,152	13,566
Disposals	(1,612)	(2,431)	(117)	(2,416)	(6,576)
Impairment from continuing operations	-	-	-	(3,248)	(3,248)
Impairment from discontinued operations	(296)	(353)	-	(392)	(1,041)
Foreign currency translation gain	303	399	48	240	990
December 31, 2014	$ 9,821	$ 14,267	$ 138	$ 12,016	$ 36,242
Additions	1,763	2,762	258	908	5,691
Disposals	(135)	(53)	(1)	(7)	(196)
Write off of fully amortized assets	(248)	(36)	-	(324)	(608)
Foreign currency translation gain	671	1,106	26	562	2,365
DECEMBER 31, 2015	$ 11,872	$ 18,046	$ 421	$ 13,155	$ 43,494

	OFFICE FURNITURE AND EQUIPMENT	COMPUTERE QUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
ACCUMULATED DEPRECIATION					
January 1, 2014	$ 5,430	$ 13,518	$ 133	$ 6,911	$ 25,992
Depreciation from continuing operations	1,077	798	28	766	2,669
Depreciation from discontinued operations	111	234	-	347	692
Disposals	(1,271)	(2,436)	(113)	(2,079)	(5,899)
Foreign currency translation gain (loss)	87	142	51	(272)	8
December 31, 2014	$ 5,434	$ 12,256	$ 99	$ 5,673	$ 23,462
Depreciation from continuing operations	1,277	1,780	57	910	4,024
Write off of fully amortized assets	(248)	(36)	-	(324)	(608)
Disposals	(84)	(30)	-	(4)	(118)
Foreign currency translation gain	477	944	14	376	1,811
DECEMBER 31, 2015	$ 6,856	$ 14,914	$ 170	$ 6,631	$ 28,571

NET CARRYING AMOUNT					
DECEMBER 31, 2014	$ 4,387	$ 2,011	$ 39	$ 6,343	$ 12,780
DECEMBER 31, 2015	$ 5,016	$ 3,132	$ 251	$ 6,524	$ 14,923

NOTE 8: INTANGIBLE ASSETS AND GOODWILL

(a) CARRYING AMOUNT

The following table presents the Company's goodwill and intangible assets as at December 31, 2015 and December 31, 2014:

	GOODWILL	CONTRACT BACKLOG	CLIENT RELATIONSHIPS	OTHER	TOTAL
COST					
Balance at January 1, 2014	$ 189,585	$ 33,422	$ 38,564	$ 14,975	$ 276,546
Fully amortized assets	(189,585)	(32,890)	(34,335)	(13,805)	(270,615)
Additions	-	-	-	1,115	1,115
Foreign exchange translation gain	-	48	322	107	477
December 31, 2014	$ -	$ 580	$ 4,551	$ 2,392	$ 7,523
Fully amortized assets	-	(580)	-	(692)	(1,272)
Additions	-	-	-	1,650	1,650
Foreign exchange translation gain	-	-	817	246	1,063
DECEMBER 31, 2015	$ -	$ -	$ 5,368	$ 3,596	$ 8,964

	GOODWILL	CONTRACT BACKLOG	CLIENT RELATIONSHIPS	OTHER	TOTAL
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Balance at January 1, 2014	$ 189,585	$ 33,276	$ 34,616	$ 14,397	$ 271,874
Fully amortized assets	(189,585)	(32,890)	(34,335)	(13,805)	(270,615)
Amortization	-	152	350	317	819
Foreign exchange translation gain	-	42	38	48	128
December 31, 2014	$ -	$ 580	$ 669	$ 957	$ 2,206
Fully amortized assets	-	(580)	-		(1,272)
Amortization	-	-	592	192	784
Foreign exchange translation gain	-	-	155	200	355
DECEMBER 31, 2015	$ -	$ -	$ 1,416	$ 657	$ 2,073
NET CARRYING AMOUNT					
December 31, 2014	$ -	$ -	$ 3,882	$ 1,435	$ 5,317
December 31, 2015	$ -	$ -	$ 3,952	$ 2,939	$ 6,891

NOTE 9: INCOME TAXES

The major components of income tax expense include the following:

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
CURRENT TAX EXPENSE		
Current period	$ 478	$ 1,325
Adjustment for prior periods	(97)	215
	381	1,540
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	4,579	(64)
Change in tax rates	126	256
Adjustment for prior periods	69	427
Change in unrecognized deductible temporary differences	(981)	683
	3,793	1,302
TOTAL TAX EXPENSE	$ 4,174	$ 2,842

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

	YEAR ENDED			
	DECEMBER 31, 2015		DECEMBER 31, 2014	
Net income from continuing operations	$	11,336	$	5,919
Total tax expense		4,174		2,842
Net income before tax from continuing operations	$	15,510	$	8,761
Income tax using the Company's domestic tax rate	$	4,110	$	2,322
Income tax effect of:				
Non-deductible expenses		780		1,682
Change in deferred tax rates		126		256
Non-controlling interests share of income		-		21
Operating in jurisdictions with different tax rates		380		(570)
Change in unrecognized temporary differences		(981)		683
Prior period adjustments to current tax		(97)		218
Prior period adjustments to deferred tax		69		427
Withholding taxes		253		73
Benefit retained on discontinued operations		(374)		(2,457)
Other		(92)		187
INCOME TAX EXPENSE	$	4,174	$	2,842

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

UNRECOGNIZED DEFERRED TAX LIABILITIES

As at December 31, 2015, the Company has approximately $14,904 (December 31, 2014 - $12,979) of temporary differences associated with its investments in foreign subsidiaries for which no deferred taxes have been provided on the basis that the company is able to control the timing of the reversal of such temporary differences and that such reversal is not probable in the foreseeable future.

UNRECOGNIZED DEFERRED TAX ASSETS

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

	YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Deductible temporary differences	$ 12,531	$ 16,401
Tax losses – Federal	25,038	17,168
Tax losses – State	43,867	32,087
	$ 81,436	$ 65,656

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

	YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Deductible temporary differences	$ 4,647	$ 6,069
Tax losses – Federal	8,870	6,267
Tax losses – State	2,851	2,246
	$ 16,368	$ 14,582

Deferred tax assets are recognized for operating loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2015, the Company's affiliated entities have $27,858 (December 31, 2014 - $42,153) of operating loss carry forwards available for income tax purposes, which expire in the years 2017 through 2035. The ability of the Company to realize the tax benefits of the loss carry forwards is contingent on many factors, including the ability to generate future taxable profits in the jurisdictions in which the tax losses arose.

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

The tax effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases that give rise to significant portions of the deferred tax assets at December 31, 2015 and December 31, 2014 are presented below:

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	YEAR ENDED DECEMBER 31, 2015		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	$ 1,496	$ (11)	$ 1,485
Non-capital loss	6,395	-	6,395
Reserves	1,884	(6,371)	(4,487)
Financing costs	386	-	386
Intangible assets	3,457	(170)	3,287
Other	66	(108)	(42)
	$ 13,684	$ (6,660)	$ 7,024

	YEAR ENDED DECEMBER 31, 2014		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	$ 1,995	$ (6)	$ 1,989
Non-capital loss	10,567	-	10,567
Reserves	1,350	(8,426)	(7,076)
Financing costs	1,366	-	1,366
Intangible assets	3,610	(206)	3,404
Other	692	(52)	640
	$ 19,580	$ (8,690)	$ 10,890

The Company recognized a deferred tax asset for the share issuances of $59 during the year ended December 31, 2015 (2014 – $nil).

NOTE 10: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the year ended December 31, 2015 was $24,154 (2014 - $26,094). As at December 31, 2015, the Company advanced $1,036 to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2014 – $nil). As at December 31, 2015, there were 91 partners (December 31, 2014 – 96 partners).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at December 31, 2015 and 2014, the amount of distributions payable to the Management Partnership were nil.

As at December 31, 2014, the amount payable on the Management Partnership loan was $10,000. This loan was repaid in full during 2015 using proceeds of $1,544 received for common shares issued to the Management Partnership under the rights offering, proceeds of $2,010 received for Class B units issued to the Management Partnership under the rights offering, with the remainder being settled using the proceeds received from the issuance of common shares to the Management Partnership under the private placement. Interest on this loan was at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. Interest expense on this advance was $962 for the year ended December 31, 2015 (2014 - $380).

On November 19, 2015, the Company issued a rights offering under which each shareholder of its common shares was given the right to subscribe for additional common shares of the Company at a pre-determined subscription price on or before December 18, 2015. The net proceeds of $5,466 raised from the issuance of common shares to public shareholders were used to repay the Company's credit facilities. The proceeds of $1,544 for the issuance of common shares to the Management Partnership was paid by a promissory note which was set off against the corresponding amount of indebtedness owing by the Company to the Management Partnership. Concurrently with the rights offering, IBI Group issued to the Management Partnership, rights to subscribe for additional Class B partnership units on terms substantially similar to those of the rights offering. The proceeds of $2,010 from the issuance of the Class B partnership units was paid by a promissory note which was set off against the corresponding amount of indebtedness owing by the Company to the Management Partnership. On December 31, 2015, the Company completed a private placement, issuing shares to the Management Partnership in full satisfaction of the remainder of the indebtedness owing to the Management Partnership.

As noted in Note 18 – Discontinued Operations, on October 2, 2014, Daniel Arbour, who previously led IBI Group's operations in China, acquired a 19% equity interest in IBI China Holdings Limited ("China"). The Company also sold a 30% equity interest in China to Services Intégrés Lemay & Associés Inc. ("Lemay") for approximately $510, subject to final closing adjustments. In addition, a 19% equity interest in China was sold to Champlain (2014) Inc. ("Champlain") in exchange for a non-interest bearing receivable for $475. The receivable was to be settled based on an earn-out period over the next four years. The Company has determined that this receivable is not collectible and as such has recognized an impairment charge for the discounted value of $359 through the consolidated statement of comprehensive income (loss) during the year ended December 31, 2015. Champlain is 100% owned by Daniel Arbour, who has led IBI Group's operations in China and is a related party to the Company.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	YEAR ENDED DECEMBER 31, 2015		YEAR ENDED DECEMBER 31, 2014	
Directors fees, salaries and other short-term employee benefits	$	2,712	$	2,522
Share–based compensation		405		262
Total compensation	$	3,117	$	2,784

NOTE 11: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2015, the Company's common share capital consisted of 24,966,744 shares issued and outstanding (December 31, 2014 – 17,808,484 shares).

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 2015, the units issued on such exchange would have represented a 20.1% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders, although the holder also holds an equal number of non-participating voting shares in the Company. The Class B partnership units have been recorded as a non-controlling interest in the consolidated financial statements as at December 31, 2015 and 2014.

SHARE ISSUANCES

2015

- During the year ended December 31, 2015, the Company issued 3,487,071 common shares for cash proceeds of $5,579 and incurred transaction costs of $113.
- During the year ended December 31, 2015, the Company issued 3,671,189 common shares for proceeds of $7,985 in exchange for promissory notes which were used to pay down the Management Partnership loan and incurred transaction costs of $125.

- During the year ended December 31, 2015, the Company issued 1,256,444 Class B partnership units for proceeds of $2,010 in exchange for a promissory note which was used to pay down the Management Partnership loan and incurred transaction costs of $41.

2014

- During the year ended December 31, 2014, the Company issued 141,805 common shares for a total of $404 in exchange for Class B partnership units of IBI (US) Limited Partnership which had been issued in a prior year for the acquisition of one of its subsidiaries. This resulted in a reduction of non-controlling interest by $2,233 with a corresponding increase to contributed surplus for $1,829 in the period.

- During year ended December 31, 2014, the Company issued 113,991 shares for a total of $250 related to the settlement of deferred share units exercised by former members of the Board of Directors.

- During the year ended December 31, 2014, the Company issued 20,000 common shares for a total of $24 in exchange for Class D partnership units of IBI Group which had been issued in a prior year for the acquisition of one of its subsidiaries. This resulted in a reduction of non-controlling interest by $301 with a corresponding increase to contributed surplus for $277 in the period.

DIVIDENDS

There were no dividends declared during the years ended December 31, 2015 and 2014. The Company suspended its dividend on May 24, 2013 and no dividends have been declared after February 2013.

EARNINGS (LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Net income from continuing operations attributable to owners of the Company	$ 8,842	$ 4,605
Net loss from discontinued operations attributable to owners of the Company	(1,461)	(7,063)
Net income (loss) attributable to owners of the Company	$ 7,381	$ (2,458)
Reduction in net income (loss) attributable to owners of the Company due to dilution	-	-
Net income (loss) attributable to owners of the Company for diluted loss per common share	$ 7,381	$ (2,458)
Weighted average common shares outstanding	17,985	17,642
Dilutive effect of Class B partnership units	5,074	5,026
Diluted weighted average common shares outstanding	23,059	22,668
Basic and diluted earnings (loss) per common share	$ 0.41	$ (0.14)
Basic and diluted earnings per share from continuing operations	$ 0.49	$ 0.26
Basic and diluted loss per common share from discontinued operations	$ (0.08)	$ (0.40)

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

(b) NON-CONTROLLING INTEREST

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

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

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Net income (loss)	$ 9,463	$ (3,160)
Non-controlling interest share of ownership[1]	22.0%	22.2%
Net income (loss) attributable to non-controlling interest	$ 2,082	$ (702)

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Total comprehensive income (loss)	$ 8,409	$ (3,526)
Non-controlling interest share of ownership[1]	22.0%	22.2%
Total comprehensive income (loss) attributable to non-controlling interest	$ 1,850	$ (784)

NOTE 12: FINANCIAL RISK MANAGEMENT

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

(a) MARKET RISK

INTEREST RATE RISK

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

If the interest rate on the Company's variable rate loan balance as at December 31, 2015, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2015 would have decreased or increased by approximately $275.

[1] For the purposes of allocating net income (loss) and total comprehensive income (loss) to non-controlling interest, the average share of non-controlling interest for the year ended December 31, 2015 was used.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching U.S-dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower during the year ended and as at December 31, 2015, with all other variables held constant, total comprehensive income would have increased or decreased by $386 for the year ended December 31, 2015. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2015, with all other variables held constant, net income would have increased or decreased by $28 for the year ended December 31, 2015.

(b) CREDIT RISK

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

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At December 31, 2015 there were 62 working days of revenue in accounts receivable, compared to 62 days at December 31, 2014. The maximum exposure to credit risk, at the date of the consolidated statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position.

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

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

	AS AT	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Current	$ 44,283	$ 40,284
30 to 90 days	30,614	32,241
Over 90 days	46,185	49,676
Allowance for impairment losses	(9,311)	(15,750)
TOTAL	$ 111,771	$ 106,451

(c) LIQUIDITY RISK

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

On October 5, 2015, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to Note 6 – Financial Instruments).

As at December 31, 2015, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300. The Company has pledged U.S $2,300 (December 31, 2014 - $nil) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. In accordance with the provisions of the contract, the Company expects U.S $1,176 to be unrestricted prior to the end of the second quarter of 2016 and the remainder to be unrestricted prior to end of the fourth quarter of 2016 as the foreign subsidiary achieves certain milestones in relation to a local project.

The Company has the following contractual obligations as at December 31, 2015:

			YEARS ENDED DECEMBER 31		
	CARRYING AMOUNT	2016	2017 AND 2018	2019 AND 2020	2021 AND BEYOND
Accounts payable and accrued liabilities	$ 54,423	$ 54,423	$ -	$ -	$ -
Credit facilities	72,277	-	74,872	-	-
Interest on credit facilities	-	3,902	5,853	-	-
Convertible debentures	84,720	-	57,500	46,000	-
Interest on convertible debentures	-	6,670	11,615	1,610	-
Vendor notes payable[1]	4,238	4,238	-	-	-
Interest on vendor notes payable[1]	-	107	-	-	-
Consent fee notes payable	3,067	3,545	-	-	-
Finance lease obligation	252	148	73	31	-
Total obligations	$ 218,977	$ 73,033	$ 149,913	$ 47,641	$ -

(d) CAPITAL MANAGEMENT

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

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

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[2] threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with all financial covenants as at December 31, 2015.

[1] As disclosed in Note 19 – Notes Payable, the Company renegotiated the terms of the vendor notes payable in January 2015 to extend the maturity to June 30, 2016.

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

As disclosed in Note 6 – Financial Instruments, on July 23, 2014, the Company amended the 7.0% convertible debentures with a face value of $46,000 to extend the maturity date from December 31, 2014 to June 30, 2019.

As disclosed in Note 6 – Financial Instruments, on December 18, 2015, the Company redeemed its 5.75% convertible debentures at principal of $20,000.

As disclosed in Note 10 – Related Party Transactions, on December 18, 2015, the Company completed a rights offering, under which it issued additional common shares and Class B partnership units, with the net proceeds being used to repay the credit facilities and the Management Partnership loan. On December 31, 2015, the Company completed a private placement, under which it issued additional common shares, with the net proceeds being used to repay the Management Partnership loan.

(e) FAIR VALUE MEASUREMENTS

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

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

IFRS 7 *Financial Instruments – Disclosures*, requires financial instruments that are measured subsequent to initial recognition at fair value, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

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

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2015 and December 31, 2014.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Accounts receivable	$ 5,024	$ (9,710)
Work in process	10,473	3,826
Prepaid expenses and other assets	(1,180)	(3,803)
Accounts payable and accrued liabilities	(6,931)	16,548
Deferred revenue	8,873	15,653
Net income taxes payable	(811)	(488)
Change in non-cash operating working capital	$ 15,448	$ 22,026

NOTE 14: COMMITMENTS

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

2016	$ 19,796
2017	18,188
2018	15,003
2019	12,750
2020	11,242
Thereafter	60,421

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

One of the leased properties has been sub-let by the Company. The lease expires in 2024 and the sublease expires in 2018. Sublease payments of $1,457 are expected to be received during 2016.

The rent expense recognized in the consolidated statement of comprehensive income (loss):

	YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Lease expense	$ 25,422	$ 22,414
Onerous lease provision	(499)	4,798
Sublease income	(1,457)	(364)
Total rent expense	$ 23,466	$ 26,848

NOTE 15: FINANCE COSTS (INCOME)

	YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Interest on credit facilities	$ 5,458	$ 6,363
Interest on convertible debentures	7,781	7,820
Interest on consent fee notes payable	248	115
Non-cash accretion of convertible debentures	6,283	3,705
Non-cash accretion of consent fee notes payable	436	193
Other	1,586	497
Interest expense, net	$ 21,792	$ 18,693
Financing costs	$ 334	$ -
Amortization of deferred financing costs	245	3,803
Gain on extinguishment of 7.0% convertible Debentures	-	(18,700)
Other	329	312
Other finance costs (income)	$ 908	$ (14,585)
Finance costs for the year	$ 22,700	$ 4,108

NOTE 16: DEFERRED SHARE PLAN

The Company offers a deferred share plan ("DSP") for independent members of the Board of Directors ("Board"). Under the DSP, directors of the Company may elect to allocate all or a portion of their annual compensation in the form of deferred shares rather than cash. These shares are fully vested upon issuance and are recorded as a financial liability at FVTPL in the consolidated statement of financial position amounting to $727. Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2015, the Company granted 121,048 deferred shares (December 31, 2014 – 164,820) and redeemed no deferred shares (December 31, 2014 – 113,993), for a total of 329,002 deferred shares outstanding as at December 31, 2015 (December 31, 2014 – 207,954).

Compensation expense for the year ended December 31, 2015 related to the deferred shares was $336 (December 31, 2014 – $393). There is no unrecognized compensation expense related to deferred shares, since these awards vest immediately when granted.

The table below shows the DSP transactions for the year ended December 31, 2015:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2015	207,954	$ 391
Deferred shares issued	121,048	224
Deferred shares redeemed	-	-
Change in fair value due to share price	-	112
Balance, December 31, 2015	329,002	$ 727

The table below shows the DSP transactions for the year ended December 31, 2014:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2014	157,127	$ 138
Deferred shares issued	164,820	289
Deferred shares redeemed	(113,993)	(140)
Change in fair value due to share price	-	104
Balance, December 31, 2014	207,954	$ 391

NOTE 17: CONTINGENCIES

(a) LEGAL MATTERS

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

(b) INDEMNIFICATIONS

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

NOTE 18: DISCONTINUED OPERATIONS

During 2014, management determined that certain operations were no longer meaningful contributors to net earnings. Accordingly, a decision was made to solicit bids from prospective purchasers in relation to the sale of these operations.

On October 2, 2014, an agreement was reached to sell certain net assets and operations of IBI/DAA Group Inc.; CHB-IBI Group Inc. and Martin, Marcotte-Beinhaker Inc. (hereinafter collectively described as "Quebec"), to Lemay. Subject to final closing adjustments, the gross proceeds for the sale of Quebec were expected to be approximately $10,902. As a part of this arrangement, the Company entered into a separate sublease agreement with Lemay for the use of a portion of the Montreal premises for a 3.5 year term and with a one year renewal option, effective October 1, 2014. While the overall agreement excludes the sale of any leasehold improvements made to the premises by the Company, it was determined that Lemay is effectively obtaining some value from the use of these assets during the term of the sublease and accordingly, approximately $500 of the proceeds were allocated to the leasehold improvements for the purposes of determining its fair value as of October 2, 2014.

The Company also sold a 30% equity interest in China to Lemay for approximately $510, subject to final closing adjustments. In addition, a 19% equity interest in China was sold to Champlain in exchange for a non-interest bearing receivable for $475. The receivable was to be settled based on an earn-out period over the next four years. The Company has determined that this receivable is not collectible and as such has recognized an impairment charge for the discounted value of $359 through the consolidated statement of comprehensive income (loss) during the year ended December 31, 2015. Champlain is 100% owned by Daniel Arbour, who has led IBI Group's operations in China and is a related party to the Company.

On closing, Lemay paid $9,082 in cash and amounts of $2,330 and $1,344 were held in escrow until conditions of the escrow, which included a final calculation of working capital were settled. After the finalization of the closing adjustments and the satisfaction of certain post-closing conditions, the total proceeds received from Lemay were $8,979 in cash and amounts held in escrow. The final determination of the working capital of the Quebec assets was subject to an arbitration process, the outcome of which was not determined until 2015. During the year ended December 31, 2015, the arbitration process concluded that the purchase price was to be reduced by $3,777. The $2,330 held in escrow was returned to Lemay, along with payment of $770 of the Company's funds, and the assignment of $677 of the $1,344 escrow amount. The remaining $667 of the $1,344 remains in escrow at December 31, 2015 and will be released in instalments over the period to March 31, 2018.

As the sale of Quebec and the 49% equity interest in China met the definition of "discontinued operations" under IFRS 5 as at December 31, 2014, the net loss, other comprehensive loss and total comprehensive loss associated with those operations have been reclassified from continuing operations to discontinued operations.

IFRS 5 requires assets held for sale to be measured at the lower of their carrying value and fair value less costs to sell. When the assets of these entities were held for sale, management evaluated the expected fair value less costs to sell and determined that it was lower than the carrying value, based on the purchase price consideration noted above, net of transaction costs for approximately $594. As a result, an impairment charge of $479 was recorded against the net assets sold in Quebec and a $4,172 impairment charge was recorded against the net assets sold in China. The combined impairment charge of $4,651 was recorded in the loss from discontinued operations in the consolidated statement of comprehensive loss for the year ended December 31, 2014. As a result of the finalization of the arbitration process during 2015, an additional $1,514 has been recorded in the loss from discontinued operations for the year ended December 31, 2015.

The following table summarizes the net loss and cash flows from discontinued operations for Quebec and China combined for the year ended December 31, 2014:

	YEAR ENDED DECEMBER 31, 2014
Revenue	$ 23,480
Expenses	24,750
Impairment on remeasurement of discontinued operations	(6,981)
OPERATING LOSS	(8,251)
Finance costs	322
Current taxes	68
Cumulative translation adjustment recognition	438
NET LOSS FROM DISCONTINUED OPERATIONS	$ (9,079)
Net loss from discontinued operations attributable to:	
Common shareholders	$ (7,063)
Non-controlling interest	(2,016)
Net cash used in operating activities	$ (42)
Net cash used in financing activities	(137)
Net cash used in investing activities	(89)
Effect of foreign currency translation	(22)
NET DECREASE IN CASH DURING THE PERIOD	(290)
Cash, beginning of period	371
CASH, END OF PERIOD	$ 81

The following table summarizes the effect of the disposal of Quebec and China on the financial position of the Company as at December 31, 2014:

		DECEMBER 31, 2014
Cash	$	282
Accounts receivable		9,221
Work in process		5,596
Prepaid expenses and other current assets		2,399
Property and equipment		1,094
Accounts payable and accrued liabilities		(3,698)
Deferred revenue		(1,874)
Income taxes payable		(43)
Due to related parties		(1,565)
NET ASSETS AND LIABILITIES	$	11,412
Consideration received		11,412
Less: Cash held in escrow		2,330
NET CASH INFLOW	$	9,082

Management determined that the expected benefits to be derived by the Company for the leasehold improvements made to the Montreal premises were not fully recoverable and therefore, an impairment charge of $3,248 was recorded to impairment of property and equipment in continuing operations in the consolidated statement of comprehensive loss for the year ended December 31, 2014.

Furthermore, Management determined that the head lease for the Montreal premises constitutes an onerous lease contract and therefore, has recorded a charge of $5,129 in rent expense from continuing operations in the consolidated statement of comprehensive loss for the year ended December 31, 2014, given the expected benefits to be derived by the Company from this contract were lower than the unavoidable cost of meeting its obligations under the contract. As at December 31, 2015, the outstanding balance of the provision was $4,239 (December 31, 2014 - $4,738). The provision represents the present value of the future lease payments that the Company is presently obligated to make under a non-cancellable head lease contract discounted at a pre-tax risk free discount rate of 2%, less the recovery of the tenant improvement allowance and estimated future sublease income. The estimate may vary as a result of changes in the utilization of the leased premises and sublease arrangements where applicable. The unexpired term of the head lease is until March 1, 2024.

NOTE 19: NOTES PAYABLE

The movement in the vendor notes payable for the year ended December 31, 2015 is as follows:

Balance, January 1, 2014	$	5,381
Repayment		(795)
Foreign exchange		427
Balance, December 31, 2014	$	5,013
Repayment		(1,609)
Foreign exchange		834
BALANCE, DECEMBER 31, 2015	$	4,238

The Company had notes payable due to the former owners of acquired businesses of $2,777 which was due on September 30, 2014 and the remaining balance was due on December 11, 2014. In January 2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable are U.S $100 until May 31, 2016 with a balloon payment of U.S $2,598 due June 30, 2016.

The movement in the consent fee notes payable for the year ended December 31, 2015 is as follows:

		TOTAL
Balance, January 1, 2015	$	2,631
Accretion		436
BALANCE, DECEMBER 31, 2015	$	3,067

See Note 6 - Financial Instruments for further details regarding the issuance of consent fee notes related to the amendment of the 7.0% convertible debentures during 2014.

NOTE 20: INVESTMENT IN EQUITY ACCOUNTED INVESTEE

As described in Note 18 – Discontinued Operations, on October 2, 2014, the Company's interest in China decreased from 100% to 51%. Although the Company retained 51% interest in China, the Company has determined that it does not have control of this entity and thus it is being accounted for as an equity investment subsequent to the sale.

The following table summarizes the financial information of China as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in China as at December 31, 2015 and December 31, 2014.

	DECEMBER 31, 2015	DECEMBER 31, 2014
Current assets	$ 1,882	$ 3,852
Non-current assets	-	-
Current liabilities	531	647
Non-current liabilities	1,287	1,603
NET ASSETS (100%)	64	1,602
SHARE OF NET ASSETS OF EQUITY ACCOUNTED INVESTEE (51%)	$ 32	$ 817

The information presented in the following table includes the results of China for the year ended December 31, 2015 and the period from October 3, 2014 to December 31, 2014 since this investment was accounted for as a consolidated subsidiary prior to that date.

	JANUARY 1, 2015 - DECEMBER 31, 2015	OCTOBER 3, 2014 - DECEMBER 31, 2014
Revenue	$ 1,212	$ 754
Net loss from continuing operations	(1,539)	(159)
Other comprehensive loss	-	-
Total comprehensive loss	(1,539)	(159)
SHARE OF TOTAL COMPREHENSIVE LOSS (51%)	$ (785)	$ (81)

The following table reconciles the Company's investment in China as at December 31, 2015 and December 31, 2014:

Investment in China, October 3, 2014	$	898
Share of loss		(81)
Investment in China, December 31, 2014	$	817
Share of loss		(785)
Investment in China, December 31, 2015	$	32

NOTE 21: SUBSEQUENT EVENT

On January 15, 2016, the Company granted 550,000 options to management under the terms of the Company's Stock Option Plan at a price of $2.33 per share.

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2015

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three and twelve months ended December 31, 2015 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2015, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2015 is or will be available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 37 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See "Forward Looking Statements and Risk Factors" below for more information.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2015. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of March 17, 2016.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward looking information as necessary.

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a global architecture, engineering, planning and technology entity, which operates 63 offices in 11 countries across the world.

IBI Group has one operating segment, consulting services, which is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

OUTLOOK

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

Management is forecasting approximately $355 million in total revenue for the year ended December 31, 2016. The Company currently has $365 million of work that is committed and under contract for the next three years. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in 2016. The Company has approximately eleven months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 31, 2015).

The Company bases its view of industry performance on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc ("EFCG") which focuses on architecture and engineering industries.
2. The reported performance of the Company's direct competitors.
3. The reports published by market analysts covering firms in the Company's business sectors.

The Company has returned to Adjusted EBITDA[1] margins in line with industry averages. Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts are underway to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process. The Company continues to seek out opportunities to enhance profitability.

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

FINANCIAL HIGHLIGHTS

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

		THREE MONTHS ENDED DECEMBER 31, 2015 *(unaudited)*		THREE MONTHS ENDED DECEMBER 31, 2014 *(unaudited)*		YEAR ENDED DECEMBER 31, 2015		YEAR ENDED DECEMBER 31, 2014
Number of working days		**63**		63		**251**		251
Revenue	**$**	**84,913**	$	75,030	**$**	**327,092**	$	298,274
Net income (loss) from continuing operations	**$**	**990**	$	(4,125)	**$**	**11,336**	$	5,919
Net loss from discontinued operations	**$**	**(462)**	$	(2,849)	**$**	**(1,873)**	$	(9,079)
Net income (loss)	**$**	**528**	$	(6,974)	**$**	**9,463**	$	(3,160)
Cash flows provided by operating activities	**$**	**14,248**	$	9,905	**$**	**30,826**	$	24,636
Basic and diluted earnings per share	**$**	**0.02**	$	(0.30)	**$**	**0.41**	$	(0.14)
Basic earnings per share from continuing operations	**$**	**0.04**	$	(0.18)	**$**	**0.49**	$	0.26
Basic and diluted earnings per share from discontinued operations	**$**	**(0.02)**	$	(0.12)	**$**	**(0.08)**	$	(0.40)
Adjusted EBITDA[1]	**$**	**8,279**	$	4,490	**$**	**34,387**	$	23,730
Adjusted EBITDA[1] as a percentage of revenue		**9.7%**		6.0%		**10.5%**		8.0%

1- See "Definition of Non-IFRS Measures".

OVERVIEW

KEY EVENTS

- Adjusted EBITDA[1] has increased $3.8 million for the three months ended December 31, 2015 and $10.7 million for the year ended December 31, 2015, as a result of stronger operating performance.
- On October 5, 2015, the Company secured an agreement to refinance its credit facilities under the existing banking arrangement with its senior lenders. The new arrangement consists of a $90 million revolver facility, of which a maximum of $10 million is available under a swing line facility and will mature on June 30, 2018.
- On December 18, 2015, the Company financed the redemption of its 5.75% Debentures for $20.0 million cash from the credit facilities at principal of $1,000 principal per unit, plus accrued and unpaid interest.
- On December 18, 2015, the Company issued common shares under a rights offering, the proceeds of which were used to repay the Company's credit facilities and the indebtedness owing by the Company to IBI Group Management Partnership (the "Management Partnership"). Concurrently

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

with the rights offering, IBI Group issued to the Management Partnership, Class B partnership units on terms substantially similar to those of the rights offering, the proceeds of which were used to repay the indebtedness owing by the Company to the Management Partnership. On December 31, 2015, the Company completed a private placement, issuing shares to the Management Partnership in full satisfaction of the remainder of the indebtedness owing to the Management Partnership.

- In January 2015, the Company renegotiated the terms of the remaining balance of its notes payable due to the former owners of acquired business to extend the maturity to June 30, 2016.

DISCONTINUED OPERATIONS

Net loss from discontinued operations was $0.5 million for the three months ended December 31, 2015 and $1.9 million for the year ended December 31, 2015, as a result of the purchase price adjustment for the sale of Quebec business and the impairment of the receivable related to the sale of the 19% equity interest in IBI China Holdings Limited ("China") (refer to Note 18 – Discontinued Operations of the audited consolidated financial statements).

Net loss from discontinued operations was $2.9 million for the three months ended December 31, 2014 attributable to expenses incurred in discontinued operations in this period with nil revenues. Net loss from discontinued operations for the year ended December 31, 2014 was $9.1 million attributable to revenues of $23.5 million offset by expenses of $32.6 million.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended December 31, 2015 was $84.9 million, compared with $75.0 million in the same period in 2014, an increase of 13.2%. Revenue for the year ended December 31, 2015 was $327.1 million, compared with $298.3 million for the same period in 2014, an increase of 9.7%. The increase in revenue from continuing operations is due to growth in the Canadian business, including the commencement of work on the ECLRT Project, as well as the impact of foreign exchange on U.S and International revenues which are comparable to the prior periods in local currencies.

For the three months ended December 31, 2015, the Company had net income from continuing operations of $1.0 million compared to a loss of $4.1 million for the same period in 2014. Net income from continuing operations for the three months ended December 31, 2015 is attributable to an increase in revenue and the positive impact of foreign exchange gain, offset by an increase in operating expenses. Net loss from continuing operations for the three months ended December 31, 2014 was attributable to the write-off of deferred financing charges of $2.5 million, as well as the accretion of the 7.0% convertible debentures and consent fee notes payable of $1.7 million.

Net income from continuing operations for the year ended December 31, 2015 was $11.3 million compared to $5.9 million for the same period in 2014. Net income from continuing operations for the year ended December 31, 2015 is attributable to an increase in revenue and the positive impact of foreign exchange gain, offset by an increase in operating expenses. Net income from continuing operations for the year ended December 31, 2014 was impacted by certain transactions, including the gain on extinguishment of the 7.0% convertible debentures, the recognition of the onerous lease provision, as well as the impairment on property and equipment related to the Montreal leasehold improvements.

Basic and diluted earnings per share from continuing operations was $0.04 per share for the three months ended December 31, 2015, compared to a loss per share of $0.18 for the same period in 2014. Basic and diluted earnings per share from continuing operations was $0.49 per share for the year ended December 31, 2015, compared to earnings per share from continuing operations of $0.26 for the same period in 2014.

RESULTS OF OPERATIONS

The results of operations presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED DECEMBER 31, 2015 (unaudited)	THREE MONTHS ENDED DECEMBER 31, 2014 (unaudited)	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Revenue	$ 84,913	$ 75,030	$ 327,092	$ 298,274
Expenses				
Salaries, fees and employee benefits	59,174	53,900	229,900	212,180
Rent	5,856	5,160	23,466	26,848
Other operating expenses	10,321	10,037	37,136	38,837
Foreign exchange (gain)	(1,812)	(783)	(8,699)	(2,089)
Amortization of intangible assets	205	189	784	819
Amortization of property and equipment	1,195	1,027	4,024	2,669
Impairment of property and equipment	-	-	-	3,248
Impairment of financial assets	1,033	834	1,486	2,812
	$ 75,972	$ 70,364	$ 288,097	$ 285,324
OPERATING INCOME	$ 8,941	$ 4,666	$ 38,995	$ 12,950
Interest expense, net	5,651	5,197	21,792	18,693
Other finance costs (income)	389	3,099	908	(14,585)
FINANCE COSTS	$ 6,040	$ 8,296	$ 22,700	$ 4,108
Share of loss of equity-accounted investee, net of tax	149	81	785	81
NET INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	$ 2,752	$ (3,711)	$ 15,510	$ 8,761
Current tax expense (recovery)	(940)	(343)	381	1,540
Deferred tax expense	2,702	757	3,793	1,302
INCOME TAXES	$ 1,762	$ 414	$ 4,174	$ 2,842
Net income (loss) from continuing operations	$ 990	$ (4,125)	$ 11,336	$ 5,919
Net loss from discontinued operations	(462)	(2,849)	(1,873)	(9,079)
NET INCOME (LOSS)	$ 528	$ (6,974)	$ 9,463	$ (3,160)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are or may be reclassified to profit or loss				
Income (loss) on translating financial statements of foreign operations from continuing operations, net of tax	$ (838)	$ 57	$ (1,054)	$ (366)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(838)	57	(1,054)	(366)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (310)	$ (6,917)	$ 8,409	$ (3,526)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	$ 413	$ (5,423)	$ 7,381	$ (2,458)
Non-controlling interests	115	(1,551)	2,082	(702)
NET INCOME (LOSS)	$ 528	$ (6,974)	$ 9,463	$ (3,160)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	$ (241)	$ (5,378)	$ 6,559	$ (2,742)
Non-controlling interests	(69)	(1,539)	1,850	(784)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (310)	$ (6,917)	$ 8,409	$ (3,526)
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic and diluted earnings per share	$ 0.02	$ (0.30)	$ 0.41	$ (0.14)
Basic and diluted earnings per share from continuing operations	$ 0.04	$ (0.18)	$ 0.49	$ 0.26
Basic and diluted earnings per share from discontinued operations	$ (0.02)	$ (0.12)	$ (0.08)	$ (0.40)

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE FROM CONTINUING OPERATIONS

The Company reports revenue net of direct recoverable costs as these costs can vary significantly from contract to contract and are not indicative of its professional services business.

Revenue from continuing operations for the three months ended December 31, 2015 was an increase of $9.9 million or 13.2% compared to the same period in 2014. Revenue from continuing operations for the year ended December 31, 2015 was an increase of $28.8 million or 9.7% compared to the same period in 2014. The increase in revenue from continuing operations is due to the growth in the Canadian business, as well as the impact of foreign exchange on U.S and International revenues which are comparable to the prior period in local currencies.

The impact of foreign exchange on revenue from continuing operations for the three months ended December 31, 2015 was an additional $6.9 million of revenue compared to the same period in 2014. The impact of foreign exchange on revenue from continuing operations for the year ended December 31, 2015 was an additional $18.8 million of revenue compared to the same period in 2014.

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

Salaries, fees, and employee benefits from continuing operations for the three months ended December 31, 2015 was $59.2 million compared with $53.9 million in the same period in 2014. As a percentage of revenues, salaries, fees and employee benefits from continuing operations for the three months ended December 31, 2015 was 69.7% compared to 71.9% for the same period in 2014.

Salaries, fees and employee benefits from continuing operations for the year ended December 31, 2015 was $229.9 million, compared with $212.2 million for the same period in 2014. As a percentage of revenues, salaries, fees and employee benefits from continuing operations for the year ended December 31, 2015 was 70.3% compared to 71.1% for the same period in 2014.

The increase is due to the impact of foreign exchange on U.S and International salaries, fees and employee benefits which are comparable to the prior period in local currencies. The impact of foreign exchange on salaries, fees and employee benefits from continuing operations for the three months ended December 31, 2015 was an additional $5.0 million of expense compared to the same period in 2014. The impact of foreign exchange on salaries, fees and employee benefits for the year ended December 31, 2015 was an additional $14.3 million of expense compared to the same period in 2014.

iii) RENT FROM CONTINUING OPERATIONS

Rent from continuing operations for the three months ended December 31, 2015 was $5.9 million compared to $5.2 million in the same period in 2014. The increase is due to the impact of foreign exchange on U.S and International rent which is comparable the prior period in local currencies.

Rent from continuing operations for the year ended December 31, 2015 was $23.5 million, compared with $26.9 million for the same period in 2014. The decrease is primarily attributable to a $4.7 million charge for the onerous lease in Montreal in 2014 and an increase in sublease income on the Montreal lease of $1.1 million which was entered into during the three months ended December 31, 2014, offset by a $0.2 million penalty incurred on the early termination of one of the Toronto office leases.

The impact of foreign exchange on rent from continuing operations for the three months ended December 31, 2015 was an additional $0.5 million of expense compared to the same period in 2014. The impact of foreign exchange on rent for the year ended December 31, 2015 was an additional $1.5 million of expense compared to the same period in 2014.

iv) OTHER OPERATING EXPENSES FROM CONTINUING OPERATIONS

Other operating expenses from continuing operations for the three months ended December 31, 2015 was $10.3 million compared to $10.0 million in the same period in 2014. The increase is due to the impact of foreign exchange on U.S and International operating expenses which are comparable to the prior period in local currencies. As a percentage of revenues, operating expenses for the three months ended December 31, 2015 were 12.1% compared to 13.3% for the same period in 2014. The impact of foreign exchange on other operating expenses from continuing operations for the three months ended December 31, 2015 was an additional $0.8 million of expense compared to the same period in 2014.

Other operating expenses from continuing operations for the year ended December 31, 2015 was $37.1 million, compared to $38.8 million for the same period in 2014. The decrease is due to the impact of foreign exchange on U.S and International operating expenses which are comparable to the prior period in local currencies. As a percentage of revenues, operating expenses for the year ended December 31, 2015 were 11.3% compared to 13.0% for the same period in 2014. The impact of foreign exchange on other operating expenses from continuing operations for the year ended December 31, 2015 was an additional $2.0 million of expense compared to the same period in 2014.

A reduction in overhead expenses as a percentage of revenues has been a continued area of focus for the Company as we look to improve overall efficiency.

During the year, the Company paid $0.8 million to professional advisors to assist in the restructuring of the balance sheet compared to $3.9 million in 2014.

v) FOREIGN EXCHANGE GAIN FROM CONTINUING OPERATIONS

Foreign exchange gain from continuing operations for the three months ended December 31, 2015 was $1.8 million compared to $0.8 million in the same period in 2014. Foreign exchange gain from continuing operations for the year ended December 31, 2015 was $8.7 million compared to $2.1 million for the same period in 2014. The foreign exchange gain is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, as well as intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that is not considered part of the permanent investment in the foreign subsidiaries.

vi) AMORTIZATION OF INTANGIBLE ASSETS FROM CONTINUING OPERATIONS

Amortization of intangible assets from continuing operations was $0.2 million for the three months ended December 31, 2015 and $0.8 million for the year ended December 31, 2015, which is consistent with the respective comparative periods in 2014.

vii) AMORTIZATION OF PROPERTY AND EQUIPMENT FROM CONTINUING OPERATIONS

Amortization of property and equipment from continuing operations for the three months ended December 31, 2015 was $1.2 million compared to $1.0 million for the same period in 2014.

Amortization of property and equipment from continuing operations for the year ended December 31, 2015 was $4.0 million compared to $2.7 million for the same period in 2014. The increase is primarily attributable to amortization on capital expenditures related to office moves, as well as computer software acquired during the latter half of 2014.

viii) IMPAIRMENT OF PROPERTY AND EQUIPMENT FROM CONTINUING OPERATIONS

For the three months ended December 31, 2015 and 2014, the Company did not record any impairment charges on property and equipment.

Impairment of property and equipment from continuing operations for the year ended December 31, 2015 was $nil compared to $3.2 million for the same period in 2014. The impairment in 2014 was a result of the write-off of the leasehold improvements in Montreal.

ix) IMPAIRMENT OF FINANCIAL ASSETS FROM CONTINUING OPERATIONS

Impairment of financial assets from continuing operations for the three months ended December 31, 2015 was $1.0 million compared to $0.8 million in the same period in 2014. The increase is primarily attributable to an increase in reserves taken in the U.S in Q4, as well as the impact of foreign exchange on these reserves.

Impairment of financial assets from continuing operations for the year ended December 31, 2015 was $1.5 million compared to $2.8 million for the same period in 2014. The decrease is consistent with the Company's ongoing efforts to focus on collections, resulting in a decrease in write-offs of accounts receivable.

x) INTEREST EXPENSE FROM CONTINUING OPERATIONS

Interest expense from continuing operations for the three months ended December 31, 2015 was $5.7 million compared to $5.2 million for the same period in 2014. The increase is primarily attributable to an increase of $0.7 million in non-cash accretion on the convertible debentures due to the redemption of the 5.75% convertible debentures on December 18, 2015. This increase is offset by a decrease of $0.4 million in interest on the credit facilities as a result of a decrease in the interest rate on the credit facilities upon renegotiation of the facilities on October 5, 2015. See discussion in the liquidity risk section of this MD&A for further details.

Interest expense from continuing operations for the year ended December 31, 2015 was $21.8 million compared with $18.7 million for the same period in 2014. The increase of $3.1 million is primarily attributable to an increase of $2.6 million in non-cash accretion on the convertible debentures due to the amendment of the 7.0% convertible debentures in 2014 and an increase of $0.1 million in interest and $0.2 million in non-cash accretion on the related issuance of consent fee notes payable. In addition, there was an additional $0.5 million of interest on the Management Partnership loan. These increases were offset by a decrease of $0.9 million of interest on the Company's credit facilities.

xi) OTHER FINANCE COSTS (INCOME) FROM CONTINUING OPERATIONS

Other finance costs from continuing operations for the three months ended December 31, 2015 were $0.4 million compared to $3.1 million in the same period in 2014. The decrease is primarily attributable to the $2.5 million write-off of deferred financing charges related to the amendment of the credit facilities during the three months ended December 31, 2014.

Other finance costs from continuing operations for the year ended December 31, 2015 were $0.9 million compared to income of $14.6 million for same period in 2014. The change was primarily due to the net gain on extinguishment of the 7.0% convertible debentures of $18.7 million in the third quarter of 2014, offset by the write off of deferred financing costs of $2.5 million related to the extinguishment of the credit facilities in the fourth quarter of 2014.

xii) INCOME TAXES FROM CONTINUING OPERATIONS

Income taxes from continuing operations for the three months ended December 31, 2015 was an expense of $1.8 million with an effective income tax rate of 64.0% compared to an expense of $0.4 million with an effective income tax rate of (11.2)% for the same period in 2014. The increase in the effective tax rate for the three months ended December 31, 2015 was attributable to the composition of income in the various jurisdictions in which the Company operates, partnership income allocation, and changes in the valuation of deferred tax assets. The tax expense for the three months ended December 31, 2014 was attributable to U.S losses which were not tax effected, as well as income generated in other jurisdictions in which the Company operates.

Income taxes from continuing operations for the year ended December 31, 2015 was an expense of $4.2 million with an effective tax rate of 26.9% compared with an expense of $2.8 million with an effective tax rate of 32.4% for the same period in 2014. The decrease in the effective tax rate for the year ended December 31, 2015 was primarily a result of the U.S operations utilizing previously unrecognized deferred tax assets during 2015.

xiii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income from continuing operations for the three months ended December 31, 2015 was $1.0 million compared to a loss of $4.1 million for the same period in 2014. The factors impacting this are set out in the description of individual line items above.

Net income from continuing operations for the year ended December 31, 2015 was $11.3 million compared to $5.9 million for the same period in 2014. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months and year ended December 31, 2015 has increased by $3.8 million and $10.7 million, respectively, as a result of stronger operating performance from a decrease in operating expenses and an increase in revenue generated from the Canadian business. Specific pre-tax items that have impacted net income (loss) from continuing operations for the three months and year ended December 31, 2015 and December 31, 2014 are as follows:

(in thousands of Canadian dollars)	THREE MONTHS ENDED DECEMBER 31, 2015 (unaudited)	THREE MONTHS ENDED DECEMBER 31, 2014 (unaudited)	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Foreign exchange gain	1,812	783	8,699	2,089
Impairment on leasehold improvements	-	-	-	(3,248)
Provision on onerous lease	-	-	-	(5,129)
Gain on extinguishment of 7.0% convertible debentures, net of deferred financing costs expensed	-	-	-	18,700
TOTAL	**1,812**	**783**	**8,699**	**12,412**

Following is a summary of finance costs (income) for the year ended December 31, 2015 and December 31, 2014:

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Interest on credit facilities	5,458	6,363
Interest on convertible debentures	7,781	7,820
Interest on consent fee notes payable	248	115
Non-cash accretion of convertible debentures	6,283	3,705
Non-cash accretion of consent fee notes payable	436	193
Other	1,586	497
INTEREST EXPENSE, NET	**21,792**	**18,693**
Financing costs	334	-
Amortization of deferred financing costs	245	3,803
Gain on extinguishment of 7% convertible debentures	-	(18,700)
Other	329	312
OTHER FINANCE COSTS (INCOME)	**908**	**(14,585)**
FINANCE COSTS	**22,700**	**4,108**

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

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months and year ended December 31, 2015:

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED DECEMBER 31, 2015	THREE MONTHS ENDED DECEMBER 31, 2014	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Revenue	84,913	75,030	9,883	6,919	2,964
Total expenses, net of foreign exchange gain	77,785	71,147	6,638	6,482	156

(in thousands of Canadian dollars)	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Revenue	327,092	298,274	28,818	18,752	10,066
Total expenses, net of foreign exchange gain	296,796	287,413	9,383	18,209	(8,826)

SELECTED ANNUAL INFORMATION

The selected information presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	YEAR ENDED		
(in thousands of Canadian dollars, except per share amounts)	**DECEMBER 31, 2015**	**DECEMBER 31, 2014**	**DECEMBER 31, 2013**
Revenue	$ 327,092	$ 298,274	$ 257,386
Net income (loss) from continuing operations	$ 11,336	$ 5,919	$ (209,898)
Net loss from discontinued operations	$ (1,873)	$ (9,079)	$ (13,570)
NET INCOME (LOSS)	$ 9,463	$ (3,160)	$ (223,468)
Basic and diluted earnings per share	$ 0.41	$ (0.14)	$ (10.05)
Basic and diluted earnings per share from continuing operations	$ 0.49	$ 0.26	$ (9.44)
Basic and diluted earnings per share from discontinued operations	$ (0.08)	$ (0.40)	$ (0.61)

(in thousands of Canadian dollars)	**DECEMBER 31, 2015**	**DECEMBER 31, 2014**	**DECEMBER 31, 2013**
TOTAL ASSETS	$ 255,240	$ 252,063	$ 242,261
Onerous lease provisions	$ 3,244	$ 4,051	$ -
Due to related parties	-	-	10,000
Consent fee notes payable	-	2,631	-
Finance lease obligation	104	235	-
Credit facilities	72,277	63,423	85,479
Convertible debentures	84,720	98,437	71,929
Deferred tax liabilities	6,660	8,690	2,016
TOTAL LONG-TERM LIABILITIES	$ 167,005	$ 177,467	$ 169,424

NET INCOME FROM CONTINUING OPERATIONS

In 2013, the Company's net income from continuing operations was significantly impacted by the write-off of accounts receivable and WIP, as well as impairment of goodwill and intangibles.

xiv) ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) from continuing operations in each of the following quarters.

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

ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(unaudited) (in thousands of Canadian dollars except for per share amounts)	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
Revenue	84,913	83,819	80,879	77,481	75,030	73,605	76,182	73,456
Net Income (Loss)	528	4,815	1,594	2,526	(6,974)	1,688	930	1,196
Net Income (Loss) from continuing operations	990	6,226	1,594	2,526	(4,125)	6,996	1,829	1,219
Add:								
Interest expense, net	5,651	5,286	5,741	5,114	5,197	4,971	4,264	4,262
Current and deferred tax expense (recovery)	1,762	695	966	751	414	2,348	183	(103)
Amortization	1,399	1,247	1,168	994	1,216	792	812	668
	8,812	7,228	7,875	6,859	6,827	8,111	5,259	4,827
EBITDA	**9,802**	**13,454**	**9,469**	**9,385**	**2,702**	**15,107**	**7,088**	**6,046**
EBITDA as a percentage of revenue	**11.5%**	**16.1%**	**11.7%**	**12.1%**	**3.6%**	**20.5%**	**9.3%**	**8.2%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	(1,812)	(3,908)	303	(3,282)	(783)	(606)	721	(1,421)
Change in fair value of DSP	63	(82)	231	(100)	(111)	212	355	231
Deferred financing charges	298	2	87	192	3,073	259	471	-
Restructuring costs	-	-	-	-	-	1,101	-	-
Gain on extinguishment of 7.0% convertible debentures	-	-	-	-	-	(22,028)	-	-
Loss on consent fee notes	-	-	-	-	-	2,437	-	-
Deferred costs expense on extinguishment of 7.0% convertible debentures	-	-	-	-	-	890	-	-
Impairment of PP&E	-	-	-	-	-	3,248	-	-
Onerous lease provision	(222)	(236)	(196)	154	(391)	5,129	-	-
Share of loss of equity-accounted investee, net of tax	150	226	212	197	-	-	-	-
	(1,523)	(3,998)	637	(2,839)	1,788	(9,358)	1,547	(1,190)
Adjusted EBITDA[1]	**8,279**	**9,456**	**10,106**	**6,546**	**4,490**	**5,749**	**8,635**	**4,856**
Adjusted EBITDA[1] as a percentage of revenue	**9.7%**	**11.3%**	**12.5%**	**8.4%**	**6.0%**	**7.8%**	**11.3%**	**6.6%**
Earnings per share attributed to common shareholders	0.02	0.21	0.07	0.11	(0.30)	0.07	0.04	0.05
Earnings per share attributed to common shareholders from continuing operations	**0.04**	**0.27**	**0.07**	**0.11**	**(0.18)**	**0.39**	**0.08**	**0.05**
Weighted average share outstanding	18,515,396	17,808,484	17,808,484	17,808,484	17,808,484	17,756,535	17,614,730	17,551,668

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

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacations during the summer. Revenue was positively impacted in the third and fourth quarters of 2015 as a result of the commencement of work on the ECLRT Project.

In addition, revenue is impacted by WIP reserves and foreign exchange rates, which can either positively or negatively impact revenue.

ii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income (loss) from continuing operations was positively impacted in the third quarter of 2014 as a result of the net gain on extinguishment of the 7.0% convertible debentures of $18.7 million.

Net income (loss) from continuing operations was negatively impacted in the fourth quarter of 2014 as a result of the write off of the deferred financing costs related to the extinguishment of the credit facilities of $2.5 million.

Net income (loss) from continuing operations was positively impacted in the first, third and fourth quarters of 2015 as a result of foreign exchange gains of $3.2 million, $3.9 million and $1.8 million respectively.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	**DECEMBER 31, 2015**	DECEMBER 31, 2014	CHANGE
Current assets	**$ 217,220**	$ 212,430	$ 4,790
Current liabilities	**(103,116)**	(113,241)	10,125
WORKING CAPITAL	**114,104**	99,189	14,915

Current assets increased by $4.8 million as at December 31, 2015 when compared with December 31, 2014. This was due to $3.2 million of restricted cash recorded in 2015, a $5.3 million increase in accounts receivable, a $2.4 million increase in prepaid expenses and other current assets and a $1.0 million increase in income taxes recoverable, offset by a $2.4 million decrease in cash and a $4.7 million decrease in WIP. The current portion of restricted cash recorded in 2015 was related to the amount the Company has pledged as security for letters of credit issued by a foreign financial institution on behalf of a foreign subsidiary of the Company. The increase in accounts receivable and the decrease in WIP is due to the Company's ongoing efforts to improve the billings process. Although revenue has increased by 9.7%, on a combined basis accounts receivable and WIP has increased $0.6 million or 0.3% as at December 31, 2015 when compared with December 31, 2014. The increase in prepaid expenses and other current assets is primarily due to prepayments for computer software licenses, as well as prepayments to the Management Partnership bank account for directors' compensation.

There was an increase in current assets due to foreign exchange as at December 31, 2015 of $18.5 million compared to $6.5 million as at December 31, 2014. As a result, $12.0 million of the increase in current assets is comprised of foreign exchange.

Current liabilities decreased by $10.1 million as at December 31, 2015 when compared with December 31, 2014. This was primarily due to a $3.0 million decrease in accounts payable and accrued liabilities, a $0.8 million decrease in vendor notes payable, a decrease in the current portion of finance lease obligation of $0.5 million, a decrease in the current portion of credit facilities of $10.0 million, a decrease in due to related parties of $10.0 million, offset by an increase in deferred revenue of $10.7 million, an increase in income taxes payable of $0.2 million and an increase in the current portion of consent fee notes payable of $3.1 million. The decrease in accounts payable and accrued liabilities of 5.5% is consistent with the decrease in other operating expenses of 4.4% compared to the year ended December 31, 2015. The decrease in vendor notes payable is due to repayments net of foreign exchange revaluations since December 31, 2014. As a result of the refinancing of the credit facilities during the fourth quarter of 2015 (refer to the liquidity risk section of this MD&A), the entire balance has been classified as long term. The amount due to related parties was repaid as a result of the rights offering and private placement during the fourth quarter of 2015 (refer to the overview section of this MD&A). Deferred revenue increased as a result of improved billings procedures across the Company. As the consent fee note payable becomes due on December 31, 2016, the entire balance has been classified as current as at December 31, 2015.

There was an increase in current liabilities due to foreign exchange as at December 31, 2015 of $6.6 million compared to $3.6 million as at December 31, 2014. As a result, $3.0 million of the increase in current liabilities is comprised of foreign exchange.

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

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

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings, which is estimated to be approximately 34% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1]	***December 31, 2015***	***September 30, 2015*** (unaudited)	***June 30, 2015*** (unaudited)	***March 31, 2015*** (unaudited)	***December 31, 2014****
Accounts receivable	*62*	*65*	*62*	*68*	*62*
WIP	*45*	*52*	*54*	*55*	*57*
Deferred revenue	*(22)*	*(23)*	*(20)*	*(21)*	*(19)*
	85	*94*	*96*	*102*	*100*

**These figures have been adjusted to exclude results from discontinued operations.*

The days sales outstanding as at December 31, 2015 has decreased by 15 days compared to December 31, 2014. The Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding even further.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***December 31, 2015***	***September 30, 2015*** (unaudited)	***June 30, 2015*** (unaudited)	***March 31, 2015*** (unaudited)	***December 31, 2014***
Accounts receivable	*111.8*	*109.7*	*101.8*	*110.7*	*106.5*
WIP	*80.6*	*88.7*	*88.4*	*89.1*	*85.4*
Deferred revenue	*(38.7)*	*(38.5)*	*(33.3)*	*(33.4)*	*(28.0)*
	153.7	*159.9*	*156.9*	*166.4*	*163.9*

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

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) ***(in thousands of Canadian dollars)***	***December 31, 2015***	***%***	***September 30, 2015*** (unaudited)	***%***	***June 30, 2015*** (unaudited)	***%***	***March 31, 2015*** (unaudited)	***%***	***December 31, 2014***	***%***
Current	44,283	40	36,313	33	38,474	38	42,026	38	40,284	38
30 to 90 days	30,614	27	39,962	36	33,642	33	36,506	33	32,241	30
Over 90 days	36,874	33	33,418	31	29,711	29	32,198	29	33,926	32
TOTAL	111,771	100	109,693	100	101,827	100	110,730	100	106,451	100

Accounts receivable has increased by $5.3 million since December 31 2014. This increase is consistent with the increase in revenue for the year ended December 31, 2015 compared to the prior year, offset by the decrease as a result of the Company's continued efforts to improve collections. It is a major initiative of management to improve the billings process and collect outstanding invoices sooner.

There was an increase in accounts receivable due to foreign exchange as at December 31, 2015 of $10.3 million compared to $4.0 million as at December 31, 2014.

ii) Work In Process

WIP has decreased by $4.8 million since December 31, 2014. This decrease is a result of the Company's initiative to accelerate the process of completing billings, offset by the increase in revenue for the year ended December 31, 2015 compared to the prior year. The Company monitors WIP to ensure that any accounts where billing may be an issue are being dealt with in a timely manner.

There was an increase in WIP due to foreign exchange as at December 31, 2015 of $5.7 million compared to $2.5 million as at December 31, 2014.

iii) Deferred Revenue

Deferred revenue has increased by $10.7 million since December 31, 2014. This increase is a result of the Company's continued efforts to improve the billings process as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

There was an increase in deferred revenue due to foreign exchange as at December 31, 2015 of $1.8 million compared to a decrease in deferred revenue due to foreign exchange of $0.5 million as at December 31, 2014.

CASH FLOWS

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

(in thousands of Canadian dollars) (unaudited)	***THREE MONTHS ENDED DECEMBER 31, 2015***	*THREE MONTHS ENDED DECEMBER 31, 2014*	*CHANGE*
Cash flows provided by operating activities	***$ 14,248***	*$ 9,905*	*$ 4,343*
Cash flows used in financing activities	***(4,086)***	*(13,894)*	*9,808*
Cash flows (used in) provided by investing activities	***(4,516)***	*4,984*	*(9,500)*

(in thousands of Canadian dollars)	***YEAR ENDED DECEMBER 31, 2015***	*YEAR ENDED DECEMBER 31, 2014*	*CHANGE*
Cash flows provided by operating activities	***$ 30,826***	*24,636*	*$ 6,190*
Cash flows used in financing activities	***(22,118)***	*(18,309)*	*(3,809)*
Cash flows used in investing activities	***(12,120)***	*(4,484)*	*(7,636)*

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended December 31, 2015 were $14.2 million compared to $9.9 million for the same period last year. The increase in operating cash flows is primarily due to an increase in Adjusted EBITDA[1] of $3.8 million, an increase in non-cash operating working capital of $1.0 million and a decrease in income taxes paid of $0.8 million, offset by an increase in interest paid of $2.4 million.

Cash flows from operating activities for the year ended December 31, 2015 were $30.8 million compared to $24.6 million for the same period last year. The increase in operating cash flows is primarily due to an increase in Adjusted EBITDA[1] of $10.6 million, offset by a decrease in non-cash operating working capital of $6.6 million. Adjusted EBITDA[1] for the year ended December 31, 2014 is inclusive of restructuring costs of $1.1 million.

Cash flows used in operating activities for discontinued operations were $0.4 million for the three months ended December 31, 2014 and were nominal for the year ended December 31, 2014.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2015 were $4.1 million compared with cash flows used in financing activities of $13.9 million for the same period last year. The Company took advances of $15.0 million from its credit facilities during the three months ended December 31, 2015 compared to repayments of $13.1 million for the same period in 2014, which reflects an increase

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

in an additional $28.1 million of advances. In addition, deferred financing costs of $2.8 million incurred on the refinancing of the credit facilities have been classified as a financing activity on the audited consolidated statement of cash flows. In comparison to the three months ended December 31, 2014, the Company repaid $0.4 million less on the notes payable and $1.3 million was used to fund bank indebtedness. During the three months ended December 31, 2015, the Company also redeemed in cash its 5.75% convertible debentures for $20.0 million (see liquidity risk section of this MD&A) and received cash proceeds from the issuance of shares under the rights offering of $5.6 million (see key events section of this MD&A).

Cash flows used in financing activities for the year ended December 31, 2015 were $22.1 million compared to $18.3 million for the same period last year. The Company repaid $2.6 million towards its credit facilities during the year ended December 31, 2015 compared to repayments of $17.5 million during the same period in 2014, which reflects a decrease in repayments of $14.9 million. In addition, deferred financing costs of $2.8 million incurred on the refinancing of the credit facilities have been classified as a financing activity on the audited consolidated statement of cash flows. In comparison to 2014, the Company repaid an additional $0.8 million on the notes payable and $0.7 million on the finance lease obligation. During 2015, the Company also redeemed in cash its 5.75% convertible debentures for $20.0 million (see liquidity risk section of this MD&A) and received net cash proceeds from the issuance of shares under the rights offering of $5.6 million (see key events section of this MD&A).

Cash flows used in financing activities for discontinued operations were $nil for the three months ended December 31, 2014. Cash flows used in financing activities for discontinued operations were $0.1 million for the year ended December 31, 2014.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2015 were $4.5 million compared to $5.0 million provided by investing activities for the same period last year. During the three months ended December 31, 2015, $1.8 million was used for capital expenditures related to property and equipment, $0.8 million was used for capitalized expenditures related to intangible assets (related to capitalized costs incurred in the phased implementation of the Company's new Enterprise Resource Planning system) and $2.0 million was used to fund restricted cash. During the three months ended December 31, 2014, $9.1 million of proceeds were received from the disposal of discontinued operations, offset by $4.2 million in capital expenditures, primarily related to equipping the Company's new office in Toronto.

Cash flows used in investing activities for the year ended December 31, 2015 were $12.1 million compared to $4.5 million for the same period last year. The increase is attributable to a decrease of $8.0 million in capital expenditures related to property and equipment, $1.7 million used for capitalized expenditures related to intangible assets (related to capitalized costs incurred in the phased implementation of the Company's new ERP system) and $4.9 million used to fund restricted cash, offset by proceeds from the disposal of discontinued operations of $9.1 million in 2014.

Cash flows used in investing activities for discontinued operations were nominal for the three months ended December 31, 2014. Cash flows used in investing activities for discontinued operations were nominal for the year ended December 31, 2014.

CREDIT FACILITY AND BID BOND GUARANTEE FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The new arrangement consists of a $90.0 million revolver facility, of which a maximum of $10.0 million is available under a swing line facility and will mature on June 30, 2018. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. The existing credit facilities were paid off in full upon closing under the terms of the new agreement and $20.0 million was placed in a segregated cash collateral account ("Sinking Fund") upon closing. This amount was used to redeem the 5.75% convertible debentures on December 18, 2015. The agreement requires additional deposits each quarter for pre-defined amounts to the Sinking Fund as noted below:

(in thousands of Canadian dollars)

October 5, 2015	$	20,000
December 31, 2015		2,000
March 31, 2016		3,250
June 30, 2016		3,250
September 30, 2016		3,250
December 31, 2016		3,250
March 31, 2017		3,250
June 30, 2017		3,250
September 30, 2017		3,250
December 31, 2017		3,250
March 31, 2018		3,750
June 30, 2018		3,750

The additional deposits in the Sinking Fund are pledged to repay the credit facilities or convertible debentures, and as security in the event of default. IBI Group made the December 31, 2015 deposit to the Sinking Fund, which has been recognized in restricted cash in the audited consolidated statement of financial position. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin.

As at December 31, 2015, IBI Group has borrowings of $74.9 million under the credit facilities, which has been recognized in the audited consolidated statement of financial position net of deferred financing costs of $2.6 million. IBI Group has issued letters of credit of $5.3 million as at December 31, 2015, of which $1.8 million is issued under a $5.0 million facility which matures on July 31, 2016 and supports letters of credit backstopped by EDC. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2015, $30.0 million was outstanding under Bankers' Acceptance with the remainder borrowed as Prime Rate debt.

As at December 31, 2014, IBI Group had a credit facility of $82.0 million comprised of a swing line facility of $3.5 million, a revolver facility of $14.5 million, an office capital expenditure facility of $7.0 million, a letter of credit facility of $5.0 million and a term facility of $52.0 million. As at December 31, 2014, IBI Group had borrowings of $73.4 million under the credit facilities and had issued letters of credit of $4.9 million.

According to the terms of the agreement, this credit facility was set to mature on March 31, 2016. The revolver facility was subject to a borrowing base calculation. In addition, advances under these credit facilities bore interest at a rate based on the Canadian dollar or U.S. dollar prime rate, LIBOR or banker's acceptance rates, pus, in each case, an applicable margin.

The refinancing of the credit facilities was considered an extinguishment of debt for accounting purposes. Consequently, the original credit facilities were derecognized and the new credit facilities were recognized at fair value. Transaction costs associated with the new credit facilities were capitalized against the credit facilities and are being amortized on a straight line basis to the end of the term of the new credit facilities using the effective interest method. As at December 31, 2015, deferred financing costs of $2.6 million are included in the audited consolidated statement of financial position, net of related amortization of $0.2 million that has been recognized in other finance costs in the audited consolidated statement of comprehensive income (loss). There were no deferred financing costs related to the original credit facilities as all capitalized costs have previously been recognized in other finance costs in the audited consolidated statement of comprehensive income (loss).

The new facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the new agreement include a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2015.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and the continued improvement of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

SECURITY INTEREST OF SENIOR LENDERS

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

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

NOTES PAYABLE

The movement in the vendor notes payable for the year ended December 31, 2015 is as follows:

(in thousands of Canadian dollars)

Balance, January 1, 2014	$	5,381
Repayment		(795)
Foreign exchange		427
Balance, December 31, 2014	$	5,013
Repayment		(1,609)
Foreign exchange		834
Balance, December 31, 2015	$	4,238

The Company had notes payable due to the former owners of acquired businesses of $2.8 million which was due on September 30, 2014 and the remaining balance was due on December 11, 2014. In January 2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable are U.S $0.1 million until May 31, 2016 with a balloon payment of U.S $2.6 million due June 30, 2016.

The movement in the consent fee notes payable for the year ended December 31, 2015 is as follows:

(in thousands of Canadian dollars)

		Total
Balance, January 1, 2015	$	2,631
Accretion		436
Balance, December 31, 2015	$	3,067

See Note 6 - Financial Instruments of the audited consolidated financial statements for further details regarding the issuance of consent fee notes related to the amendment of the 7.0% convertible debentures during 2014.

CONVERTIBLE DEBENTURES

The Company had three series of convertible debentures outstanding, one of which was redeemed during the year ended December 31, 2015.

5.75% DEBENTURES ($20.0 MILLION PRINCIPAL, REDEEMED ON DECEMBER 18, 2015)

The 5.75% Debentures were recorded as compound financial instruments. The liability component was recorded at fair value on the date of conversion to a corporation and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. As at December 31, 2014, the liability component has an amortized cost of $18.8 million. The equity component for the conversion feature of $0.9 million was measured at the fair value on the date of conversion to a corporation. The 5.75% Debentures had a maturity date of June 30, 2017 at $20.0 million. The 5.75% Debentures were convertible into shares of the Company at the option of the holder at a conversion price of $20.52 per unit. The 5.75% Debentures were redeemable by the Company at a price of $1,000 per 5.75% Debenture, plus accrued and unpaid interest, on or after June 30, 2015 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2015, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of $20.52). The Debentures bore interest from the date of issue at 5.75% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year.

On December 18, 2015, the Company financed the redemption of its 5.75% Debentures for $20.0 million cash from the credit facilities, plus accrued and unpaid interest up to but excluding the redemption date. The 5.75% Debentures were accreted to principal, resulting in $1.2 million of accretion expense being recognized in the consolidated statement of comprehensive income (loss) during the three months and year ended December 31, 2015. The equity component of $0.9 million was reclassified to contributed surplus upon redemption.

6.0% DEBENTURES ($57.5 MILLION PRINCIPAL, MATURES ON JUNE 30, 2018)

The 6.0% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on the date of conversion to a corporation and was subsequently measured at amortized cost using the effective interest method over the life of the 6.0% Debentures. As at December 31, 2015, the liability component has an amortized cost of $55.1 million (December 31, 2014 - $54.3 million). The equity component for the conversion feature of $3.2 million is measured at the fair value on the date of conversion to a corporation. The 6.0% Debentures have a maturity date of June 30, 2018 at $57.5 million. The 6.0% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $21.00 per share. The 6.0% Debentures are redeemable by the Company at a price of $1,000 per 6.0% Debenture, plus accrued and unpaid interest, on or after June 30, 2014 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2016, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of $21.00). The Debentures bear interest from the date of issue at 6.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The fair value of the 6.0% Debentures was $42.5 million based on the quoted market price as at December 31, 2015.

7.0% DEBENTURES ($46.0 MILLION PRINCIPAL, MATURES ON JUNE 30, 2019)

On July 23, 2014, the Company entered into a supplemental trust indenture with CIBC Mellon Trust Company, the trustee for the 7.0% convertible unsecured subordinated debentures ("Debentures") which were originally scheduled to mature on December 31, 2014, to give effect to the amendments approved at a special meeting of the Debenture holders to extend the maturity of the Debentures to June 30, 2019. In exchange for the extension of the maturity, Debenture holders that delivered and did not withdraw a valid proxy voting for the extension received either; a reduced conversion price to $5.00 per share from $19.17 per share with a consent fee note equal to $86.96 per $1,000 principal amount of Debentures ("Option B") or the Debenture holders retained the conversion price of $19.17 per share and received a consent fee note equal to $195.65 per $1,000 principal amount of Debentures ("Option A"). The conversion price was also reduced to $5.00 per share from $19.17 per share for Debenture holders who did not deposit a proxy, abstained from voting or voted against the Debenture amendments ("Option C"). The Debentures bear interest from the date of issue at 7.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The consent fee notes are unsecured, non-convertible, mature on December 31, 2016 and bear interest at the rate of 7.0% per annum which is payable on maturity.

The amendments to the Debentures resulted in them being accounted for as extinguishments for accounting purposes. Consequently, the original Debentures were derecognized and the new Debentures (under Option A, B and C) were recognized at fair value, resulting in a pre-tax gain on extinguishment of $21.1 million, net of transaction costs of $0.9 million which was recorded to other finance costs in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2014. See Note 15 – Finance Costs (Income) of the audited consolidated financial statements, for further detail regarding finance costs for the year ended December 31, 2014.

The fair value of the new Debentures issued under Option B and C of $18.7 million was estimated using the observed trading price as these Debentures are considered to be traded in an active market. The fair value was then allocated to the liability component in the amount of $15.9 million using discounted future cash flows at an estimated fair value discount rate of 26.5% and the residual was allocated to the Option B and C conversion feature in equity. The fair value of the new Debentures issued under Option A of $7.5 million was estimated using discounted future cash flows at an estimated fair value discount rate of 26.5%, with a comparison to pre-modification observed trading prices indicating that the equity component was of nominal value. As a result, substantively all of the fair value of the new Debentures issued under Option A was allocated to the liability component.

The fair value of the consent fee notes issued under Option A and B were $2.0 million and $0.5 million respectively, using discounted future cash flows at an estimated fair value discount rate of 26.5%.

The new Debentures and consent fee notes were subsequently measured at amortized cost using the effective interest method over their respective lives to maturity. As at December 31, 2015, the liability component of the new Debentures have an amortized cost of $29.6 million (December 31, 2014 - $25.3 million) and the consent fee notes have an amortized cost of $3.1 million (December 31, 2014 - $2.6 million). Accretion expense for the new Debentures and consent fee notes was $4.7 million for the year ended December 31, 2015 (December 31, 2014 - $2.1 million). See Note 15 – Finance Costs (Income) of the audited consolidated financial statements, for further detail regarding the accretion expense for the period. The equity component for the conversion feature of the new Debentures in the amount of $2.9 million is measured at fair value at the date of issuance.

Post amendment, the ticker symbol for the new Debentures under Option B and C (aggregate principal amount of $31.2 million) is IBG.DB and for Option A (aggregate principal amount of $14.8 million) is IBG.DB.C. The fair value of the new Debentures under Option B and C was $23.3 million and for Option A was $10.6 million based on their respective quoted market price as at December 31, 2015.

FINANCIAL RISK MANAGEMENT

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

MARKET RISK

INTEREST RATE RISK

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

If the interest rate on the Company's variable rate loan balance as at December 31, 2015, had been 50 basis points higher or lower, with all other variables held constant, net income from continuing operations for the year ended December 31, 2015 would have decreased or increased by approximately $0.3 million.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching U.Sdollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower during the year ended and as at December 31, 2015, with all other variables held constant, total comprehensive income would have increased or decreased by $0.4 million for the year ended December 31, 2015. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2015, with all other variables held constant, net income would have increased or decreased by $0.03 for the year ended December 31, 2015.

CREDIT RISK

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

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

LIQUIDITY RISK

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

On October 5, 2015, IBI Group signed an amendment to refinance its credit facilities with its senior lenders.

See liquidity and capital resources section of this MD&A for more details.

As at December 31, 2015, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2.3 million. The Company has pledged U.S $2.3 million (December 31, 2014 - $nil) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. In accordance with the provisions of the contract, the Company expects U.S $1.2 million to be unrestricted prior to the end of the second quarter of 2016 and the remainder to be unrestricted prior to end of the fourth quarter of 2016 as the foreign subsidiary achieves certain milestones in relation to a local project.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the contractual obligations due on financial liabilities and commitments as of December 31, 2015:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	*$ 54.4*	*$ 54.4*	*$ -*	*$ -*	*$ -*
Credit facilities[1]	*74.9*	*-*	*74.9*	*-*	*-*
Interest on credit facilities[1,2]	*9.8*	*3.9*	*5.9*	*-*	*-*
Convertible debentures	*103.5*	*-*	*57.5*	*46.0*	*-*
Interest on convertible debentures[3]	*19.9*	*6.7*	*11.6*	*1.6*	*-*
Vendor notes payable[1]	*4.2*	*4.2*	*-*	*-*	*-*
Interest on vendor notes payable[1]	*0.1*	*0.1*	*-*	*-*	*-*
Consent fee notes payable[1]	*3.5*	*3.5*	*-*	*-*	*-*
Finance lease obligation	*0.3*	*0.1*	*0.2*	*-*	*-*
Operating leases	*137.4*	*19.8*	*33.2*	*24.0*	*60.4*
TOTAL CONTRACTUAL OBLIGATIONS	*$ 408.0*	*$ 92.7*	*$ 183.3*	*$ 71.6*	*$ 60.4*

[1] See liquidity risk section of this MD&A.

[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

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

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

FUTURE CASH GENERATION

Specific items of consideration in future cash generation are as follows:

1. **ABILITY TO GENERATE SUFFICIENT CASH**

   The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

2. **CIRCUMSTANCES THAT COULD AFFECT FUNDING**

   In the event that capital markets deteriorate or the Company does not execute on its business plan this will affect ability to attract and / or generate sufficient funds.

3. **WORKING CAPITAL REQUIREMENTS**

   In the short term the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to assist management with their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. **SITUATIONS INVOLVING EXTENDED PAYMENT**

   There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. **CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS**

   Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. **SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS**

   With the exception of 2014, where new leases were signed on two major offices, the Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. **CREDIT FACILITY**

   On October 5, 2015, IBI Group secured an agreement to refinance its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. **CONVERTIBLE DEBENTURES**

   As outlined above, the Company has two series of debentures that provide a basis of capital which requires repayment or refinancing over the period from June 2018 to June 2019.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 17, 2016, the Company's common share capital consisted of 24,966,744 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 2015, the units issued on such exchange would have represented a 20.1% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in the consolidated financial statements as at December 31, 2015.

SHARE ISSUANCES

- During the year ended December 31, 2015, the Company issued 3,487,071 common shares for cash proceeds of $5.6 million and incurred transaction costs of $0.1 million.

- During the year ended December 31, 2015, the Company issued 3,671,189 common shares for proceeds of $8.0 million in exchange for promissory notes which were used to pay down the Management Partnership loan and incurred transaction costs of $0.1 million.

- During the year ended December 31, 2015, the Company issued 1,256,444 Class B partnership units for proceeds of $2.0 million in exchange for a promissory note which was used to pay down the Management Partnership loan and incurred nominal transaction costs. This resulted in a net increase to non-controlling interest of $2.0 million.

ACCUMULATED OTHER COMPREHENSIVE LOSS

- During the three months ended December 31, 2015, the Company incurred a loss of $0.8 million related to the translation of financial statements of foreign operations from continuing operations, of which 78.0% is attributable to common shareholders.
- During the year ended December 31, 2015, the Company incurred a loss of $1.0 million related to the translation of financial statements of foreign operations from continuing operations, of which 78.0% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the year ended December 31, 2015 was $24.2 million (2014 - $26.1 million). As at December 31, 2015, the Company advanced $1.0 million to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2014 – $nil). As at December 31, 2015, there were 91 partners (December 31, 2014 – 96 partners).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at December 31, 2015 and 2014, the amount of distributions payable to the Management Partnership were nil.

As at December 31, 2014, the remaining amount payable was $10.0 million. This loan was repaid in full during 2015 using proceeds of $1.5 million received for common shares issued to the Management Partnership under the rights offering, proceeds of $2.0 million received for Class B units issued to the Management Partnership under the rights offering, with the remainder being settled using the proceeds received from the issuance of common shares to the Management Partnership under the private placement. Interest on this loan was at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. Interest expense on this advance was $1.0 million for the year ended December 31, 2015 (2014 - $0.4 million).

On November 19, 2015, the Company issued a rights offering under which each shareholder of its common shares was given the right to subscribe for additional common shares of the Company at a pre-determined subscription price on or before December 18, 2015. The net proceeds of $5.5 million raised from the issuance of common shares to public shareholders were used to repay the Company's credit facilities. The proceeds of $1.5 million for the issuance of common shares to the Management Partnership was paid by a promissory note which was set off against the corresponding amount of indebtedness owing by the Company to the Management Partnership. Concurrently with the rights offering, IBI Group issued to the Management Partnership rights to subscribe for additional Class B partnership units on terms substantially similar to those of the rights offering. The proceeds of $2.0 million from the issuance of the Class B partnership units was paid by a promissory note which was set off against the corresponding amount of indebtedness owing by the Company to the Management Partnership. On December 31, 2015, the Company completed a private placement, issuing shares to the Management Partnership in full satisfaction of the remainder of the indebtedness owing to the Management Partnership.

As noted in Note 18 – Discontinued Operations of the audited consolidated financial statements, on October 2, 2014, Daniel Arbour, who previously led IBI Group's operations in China, acquired a 19% equity interest in China. The Company also sold a 30% equity interest in China to Services Intégrés Lemay & Associés Inc. for approximately $0.5 million, subject to final closing adjustments. In addition, a 19% equity interest in China was sold to Champlain (2014) Inc. ("Champlain") in exchange for a non-interest bearing receivable for $0.5 million. The receivable was to be settled based on an earn-out period over the next four years. The Company has determined that this receivable is not collectible and as such has recognized an impairment charge for the discounted value of $0.4 million through the audited consolidated statement of comprehensive income (loss) during the year ended December 31, 2015. Champlain is 100% owned by Daniel Arbour, who has led IBI Group's operations in China and is a related party to the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

REVENUE RECOGNITION

The Company also enters into contracts that require multiple deliverables, which can include software and hardware elements. Management applies judgment when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgment is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement, and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

RECOVERABILITY OF ACCOUNTS RECEIVABLE

The Company records accounts receivable net of impairment losses determined based on the age of the outstanding receivables, factors specific to individual clients and on its historical collection and loss experience.

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the audited consolidated financial statements for the year ended December 31, 2015 are as follows:

REVENUE RECOGNITION AND DEFERRED REVENUE

The Company accounts for certain of its revenue in accordance with IAS 11 *Construction Contracts*, ("IAS 11") which requires estimates to be made for contract costs and revenues and IAS 18 *Revenue* ("IAS 18"). Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best estimate based on the information available at that point in time. The Company also provides for estimated losses on contracts in-progress in the period in which such losses are determined. Deferred revenue is recorded when billings to the clients exceeds the revenue that has been earned based on effort completed at the date of the audited consolidated statement of financial position. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

VALUATION OF WORK IN PROCESS

The Company records its work in process based on the time and materials charged into each project. The work in process for each project is reviewed on a monthly basis to determine whether the amounts recorded are recoverable. Where the review determines that the value of work in process exceeds the amount that can be invoiced, provisions are made to the work in process and revenue is reduced. The valuation of the work in process involves estimates of the professional costs to be incurred to complete the project.

ONEROUS LEASE PROVISIONS

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

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognized when the underlying contractual obligation is discharged, cancelled or expires. As described in note 6 – Financial Instruments of the audited consolidated financial statements, management applied judgement in assessing the criteria that lead to accounting for the change in terms of the convertible debentures and credit facility as an extinguishment of the liability.

DETERMINING PROBABLE FUTURE UTILIZATION OF TAX LOSS CARRYFORWARDS

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

ACCOUNTING DEVELOPMENTS

a) CHANGES IN ACCOUNTING POLICIES

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2015. The adoption of the amendments did not have a material impact on the consolidated financial statements.

b) FUTURE ACCOUNTING POLICY CHANGES

Annual Improvements to IFRS (2012 - 2014) Cycles

In September 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IAS 1 *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to provide guidance on the application of judgment in the preparation of financial statements and disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

In May 2014, IFRS 11 *Joint Arrangements ("IFRS 11")* was amended to require an acquisition of a joint operation that constitutes a business to be accounted for using the principles of business combinations in IFRS 3 *Business Combinations*. This amendment applies to both initial and additional interest acquired in the joint operation. The Company intends to adopt the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*

In September 2014, IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* were amended to clarify an inconsistency between the two standards relating to the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires that a full gain or loss is recorded if the sold or contributed assets do not constitute a business. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11, IAS 18, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue. The model features a contract-based five step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted.

IFRS 16 will replace IAS 17 *Leases.*

The new standard requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Company's quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and disclosure controls and DC&P as at December 31, 2015, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2015, and ended on December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. ADJUSTED EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company's ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flows.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on net income adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments
- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses)
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary
- Gain/loss on fair valuation of financial instruments
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the heading "Results of Operations".

2. WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS

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

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 34% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.

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CEO, IBI Group

David Thom
Vancouver, BC
President, IBI Group

Dale Richmond
Oakville, ON
Independent Director;
Chair of the Board of Directors;
Member of the Audit Committee;
Chair of the Governance and
Compensation Committee

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Jane Bird
Vancouver, BC
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Member of the Governance and
Compensation Committee

Angela Holtham
Mississauga, ON
Independent Director;
Member of the Audit Committee;
Member of the Governance
and Compensation Committee

Detailed biographies of the Members of the Board are available in the Annual Information Form (AIF).

MANAGEMENT TEAM

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David Thom
President

Stephen Taylor
CFO

Kevin Bebenek
Canada East Regional Lead

Mike Pankiw
Canada West Regional Lead

Tim Foley
US East Regional Lead

David Chow
US West Regional Lead

Paul Hewes
United Kingdom / Ireland
Regional Lead

Trevor McIntyre
International Regional Lead

SHAREHOLDER INFORMATION

Transfer Agent
CST Trust Company
Toronto, ON

Auditors
KPMG LLP
Toronto, ON

Principal Bank
Toronto Dominion Bank

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

Investor Relations
Bayfield Strategy, Inc.

Annual Meeting
May 11, 2016
10:00 am
Dentons Canada LLP
TD North Tower,
Toronto-Dominion Centre
5th Floor, 77 King Street West
Toronto, ON M5K 0A1 Canada

COMMON SHARES TRADE AS IBG
6.0% JUNE 30, 2018 DEBENTURES WITH A $21 CONVERSION PRICE TRADE AS IBG.DB.B
7.0% JUNE 30, 2019 DEBENTURES WITH A $19.17 CONVERSION PRICE TRADE AS IBG.DB.C
7.0% JUNE 30, 2019 DEBENTURES WITH A $5 CONVERSION PRICE TRADE AS IBG.DB

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

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