



Defining the cities of tomorrow
ibigroup.com



2016 CONTENTS

IBI GROUP AT A GLANCE	2
LEARN	4
LIVE	5
HEAL	6
MOVE	7
RESILIENT CITY, RESILIENT FIRM	8
PIVOTING TOWARDS TECHNOLOGY	8
2016 GOALS, STRATEGIES, AND PERFORMANCE	9
MESSAGE FROM THE CEO	11
MESSAGE FROM THE PRESIDENT	12
MESSAGE FROM THE CHAIR OF THE BOARD	14
2016 FINANCIALS	15



Defining the cities of tomorrow
ibigroup.com



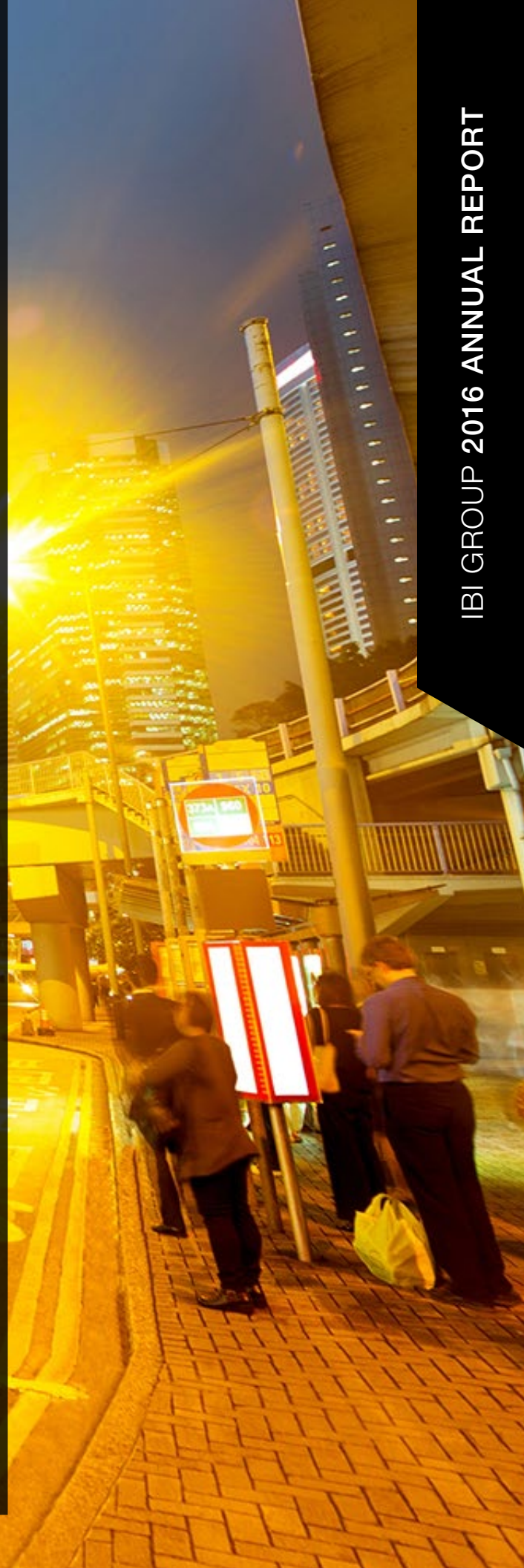
2016 HIGHLIGHTS

FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS

- Revenues increased 8.3% to \$354 million
- Adjusted EBITDA grew to \$39.2 million, which is 11.1% of revenue
- Total debt reduced by \$38.2 million
- Shareholder equity increased by \$34.6 million
- Issued \$46 million of convertible debentures to December 31, 2021 and lowered effective interest cost by 0.5%
- Organic growth of USA revenue by 15%

OPERATIONAL HIGHLIGHTS

- **Increased services and revenue** from participating in the operation and management of the assets we design, for example:
 - **Developed solutions to manage assets** within education, healthcare, transit, and office facilities
 - **Expanded our presence in India** with a number of new contracts, including project management and consulting for the implementation of Bhubaneswar's Smart City Strategy
 - **Implemented an intelligent water delivery and management system** – a world-first technology that dramatically reduces energy use and cost of water delivery for cities
- Progressed major Canadian **P3 transit infrastructure** contracts, including Eglinton Crosstown LRT, vivaNEXT, and Edmonton Valley Line LRT
- Reflecting the re-emergence of manufacturing in the USA, **delivered automotive facilities** for Porsche, GM, Mercedes, and BMW and the **design of data centres** for GM and Ford, supporting the industry shift into the mobility business
- Our IBI Learning+ practice was awarded over **20 design commissions for new education facilities** projects in the USA in 2016
- Supported by significant population growth in major Canadian markets, **demand for multi-unit housing** in our high-rise residential practice remains strong





FOUNDED 1974
PUBLICLY TRADED SINCE 2004
CORPORATE HEAD OFFICE TORONTO
THREE SECTORS OF EXPERTISE INTELLIGENCE, BUILDINGS, INFRASTRUCTURE
2016 REVENUES FROM CONTINUING OPERATIONS \$354 MILLION

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

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.

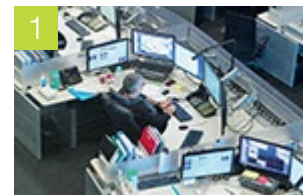
Innovation

We embrace ingenuity.

Community

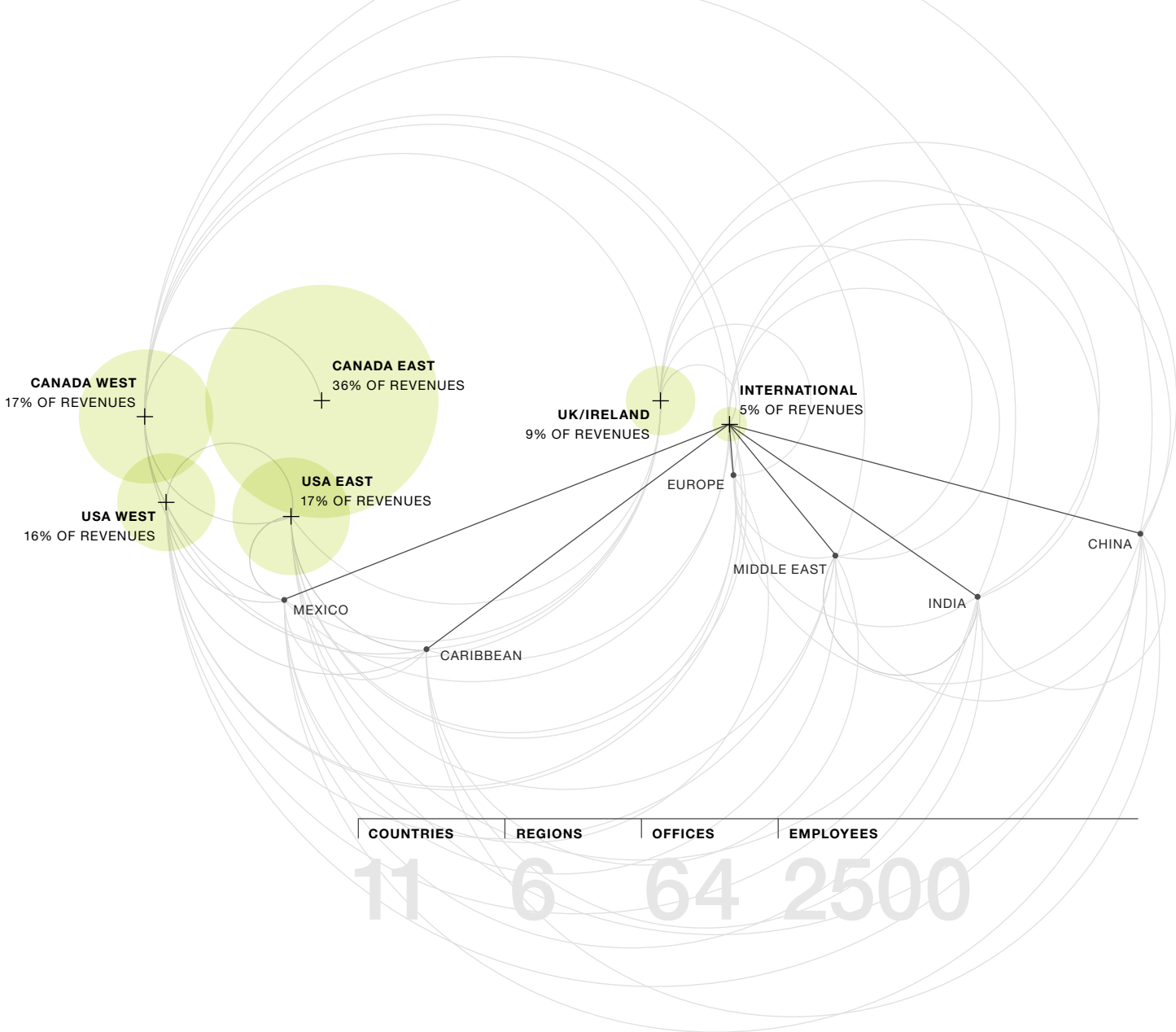
We build community.

2016 PROJECT HIGHLIGHTS



ONTARIO CENTRAL REGION COMPASS TRANSPORTATION MANAGEMENT CENTRE TORONTO, ON, CANADA

IBI Group led a program of intelligence projects for the Greater Toronto Area's largest traffic control centre. The facility has been designed as a central hub for event and disaster management, enabling collaboration among local transportation agencies.



2
511 TRAVELLER INFORMATION
 LOCATIONS ACROSS THE USA

IBI Group continued to increase USA market share of the 511 traveler information system with major new contracts and successful rollouts across five states, incorporating software as a service (SaaS) model. This technology currently reaches one in four Americans.



3
PARQ VANCOUVER
 VANCOUVER, BC, CANADA

IBI Group is Architect of Record for this 800,000 square foot urban resort located in the city's entertainment district, which will feature a casino, two hotels, numerous restaurants, and convention facilities.



4
ONE EMPIRE PASS
 DEER VALLEY, UT, USA

One Empire Pass is an intimate community of private ski-in/ski-out residences in the Deer Valley Resort. The community was conceived to create open, vibrant living, activity, and gathering spaces that foster social relationships among all families.



5
LOS ANGELES CIVIC CENTER MASTER PLAN
 LOS ANGELES, CA, USA

The proposed master land use plan, developed in partnership with Ernst & Young, is a first of its kind 'Civic Innovation District,' with the potential to guide future development in the area for the next 15 years.



LEARN 

IBI Learning+ creates learning environments that are healthy and connected.

CARDIFF UNIVERSITY BRAIN RESEARCH IMAGING CENTRE (CUBRIC)
CARDIFF, WALES, UK

Project Highlights

- Opened by Her Majesty The Queen and His Royal Highness The Duke of Edinburgh on June 7, 2016
- One of four MRI laboratories houses the 3T Connectom MRI, an imaging machine so powerful it has been compared to the Hubble Space Telescope; it is also the first of its kind in Europe and the second of its kind in the world
- A clinical cluster that brings together the academic community, working clinicians, and private industry
- Rated BREEAM 'Excellent'



IBI Living+ designs for diverse living choices and resilient communities.

ONE PACIFIC
VANCOUVER, BC, CANADA

Project Highlights

- Recipient of Best Urban High-Rise Residential and Vancouver Sun Reader's Choice Award at the Pacific Region Urban Development Institute Awards for Excellence
- Site incorporates public initiatives including dedicated pedestrian and bike lanes and street extensions
- Building infrastructure connects to neighbourhood energy utility for domestic hot water and heating

IBI Healthcare+ focuses on improving the patient experience, inside and outside the hospital walls.

WOMEN'S COLLEGE HOSPITAL
TORONTO, ON, CANADA

Project Highlights

- First patient-centred, ambulatory care hospital in Ontario
- Recipient of the Silver Award for Project Development from the Canadian Council for Private Public Partnerships (CCPPP) and the Generative Space Award from the CARITAS Project
- Pilot hospital for IBI Group's Healthcare Challenge – a research project exploring how technology can improve the patient experience
- Designated LEED® Gold





MOVE

IBI Group is engineering urban journeys that shape vibrant cities.

MISSISSAUGA BUS RAPID TRANSIT
MISSISSAUGA, ON, CANADA

Project Highlights

- An 18 km regional transit corridor that connects with Toronto public transit
- Conceptual design for all 12 proposed stations, and subsequent construction documents for the 10 new stations
- Facilities include commuter parking, Kiss & Ride, and Bike & Ride



Tahoe Station



Central Parkway Station

RESILIENT CITY, RESILIENT FIRM

We're shaping the future of cities at every scale. From software creation to product design to fully livable communities, IBI Group is a global leader in urban growth.

Design and technology have evolved in the last decade. Architecture, engineering, planning, and urban design are disciplines that require practitioners to not only create for what is seen by the eye, but to account for all that is unseen, to understand how the assets they design connect with their ecosystems. Understanding what is commonly invisible and how it interacts with space and place is the new charge for resilient firms today. Technology is allowing us to design these interactions in new ways – blurring

boundaries between professions, land uses, and building types, all within the dynamic place that is our city, our community.

At IBI Group, we believe in creating healthy cities that are adaptable to change. That's why we have become strategic partners with our clients. Our global reach, accompanied by the breadth of our practice, gives IBI a unique opportunity to solve local problems with expertise from a global network.

PIVOTING TOWARDS TECHNOLOGY

Technology underpins the changes we are seeing in how we live, learn, heal, and move within and through our communities. IBI Group's long history as a technology firm, combined with our extensive design expertise across sectors, means we are experts in using intelligence to design the buildings and infrastructure that make those communities connected, livable, sustainable, and prosperous.

2016 was a pivotal year for IBI as we strengthened our Intelligence practice and extended the incorporation of design technology throughout our work. We developed new asset management systems for clients, strengthened our analytics group, and leveraged an emergent 3D and data visualization expertise to drive better design outcomes. And these developments are just the beginning of a burgeoning product development and operations capability for the firm.

Financially, with continued growth in revenue and EBITDA, the redemption of outstanding convertible

debentures, and the refinancing of our debt, we are in a very stable position to enable and drive growth through next year and beyond.

In 2017, IBI will continue to have a strong and stabilizing presence in Canada, while targeting growth in the USA and select international markets. We are rolling out a set of strategic initiatives that will not only grow our core consulting business, but also transition us to a technology-driven design firm. Additionally, we will provide even more value to our clients by operating and maintaining the intelligent systems, buildings, and infrastructure that we design for them. This will mean diversifying our existing business model to create more predictable revenue flows and offer an agile set of products and services that will help our clients, and in turn, their cities, be capable of adapting to change.

With the continued expansion of urban regions, the rising investments in infrastructure globally, and the increased importance of technology, IBI Group is ideally positioned for growth.

2016 GOALS, STRATEGIES, AND PERFORMANCE

GOALS	STRATEGIES	METRICS	PERFORMANCE
<p>GROWTH</p> <p>Grow our fee-based professional services business.</p>	<p>A FOCUSED APPROACH</p> <p>Focus on major revenue generators, pursue areas that have potential for substantial growth, and concentrate on higher margin services.</p>	<p>INCREASE OUR TOP-LINE REVENUE CONSISTENT WITH INDUSTRY NORMS</p>	<p>✓</p> <p>REVENUE INCREASED BY \$27 MILLION TO \$354 MILLION IN 2016</p>
<p>FINANCIALS</p> <p>Provide a stable, sustainable financial base.</p>	<p>EFFICIENT AND SUSTAINABLE</p> <p>Continue to improve our financial operations and work on a sustainable and productive long-term relationship with capital markets.</p>	<p>ACHIEVE AN EBITDA CONSISTENT WITH INDUSTRY NORMS, WHICH ARE TYPICALLY 8-12%</p>	<p>✓</p> <p>EBITDA INCREASED BY \$4.9 MILLION TO \$39.2 MILLION IN 2016</p>
		<p>REDUCE DAY SALES OUTSTANDING (DSO)</p>	<p>✓</p> <p>DSO REDUCED FROM 85 DAYS TO 80 DAYS AT DECEMBER 31, 2016</p>
<p>OPERATIONS</p> <p>Maximize efficiency and effectiveness.</p>	<p>GLOBAL FIRM, PROFESSIONALLY MANAGED</p> <p>Consolidate/regionalize services, implement effective internal processes and systems, and improve operational efficiency and responsiveness.</p>	<p>INCREASE FEE REVENUE SHARE ON PROJECTS BY LEVERAGING INTERNAL EXPERTISE</p>	<p>✓</p> <p>COMMISSIONED TASK FORCES ON QUALITY MANAGEMENT AND SUSTAINABILITY, ENSURING COMMON, FIRM-WIDE STANDARDS AND APPROACHES</p>
		<p>INCREASE COLLABORATION BETWEEN OFFICES</p>	<p>✓</p> <p>ADOPTION OF COMPANY-WIDE ERP SYSTEM</p>
<p>TALENT</p> <p>Nurture and develop our internal pool of talent.</p>	<p>THOUGHT LEADERSHIP</p> <p>Encourage a culture of curiosity and innovation, engage, support and mentor staff, and hire the best and brightest.</p>	<p>REDUCE VOLUNTARY TURNOVER</p>	<p>✓</p> <p>VOLUNTARY TURNOVER REDUCED BY 7.8%</p>
		<p>INCREASE STAFF DEVELOPMENT OPPORTUNITIES</p>	<p>✓</p> <ul style="list-style-type: none"> EXECUTED FIRM-WIDE PROJECT MANAGEMENT AND FINANCE 101 TRAINING 2,300+ COURSE CERTIFICATES ISSUED BY THE 'IBIU' INTERNAL TRAINING PROGRAM
		<p>DEVELOP GREATER DIVERSITY AMONG STAFF</p>	<p>✓</p> <ul style="list-style-type: none"> LAUNCHED COMPANY WELLNESS PROGRAM LAUNCHED WOMEN'S LEADERSHIP NETWORK
<p>AGILITY</p> <p>Increase flexibility, adaptability, and resilience.</p>	<p>A NETWORKED AND DIVERSIFIED COMPANY</p> <p>Diversify our regional services, strengthen our cross-sector initiatives, share resources and information, and collaborate across geographies.</p>	<p>INCREASE OUR INTELLIGENCE REVENUE SHARE IN THE BUILDINGS AND INFRASTRUCTURE SECTORS</p>	<p>✓</p> <p>ADOPTED ADVANCED VISUALIZATION TOOLS</p>
		<p>DIVERSIFY OUR BUSINESS TO ENCOMPASS OPERATIONS AND MAINTENANCE AS WELL AS DESIGN CONSULTING</p>	<p>✓</p> <ul style="list-style-type: none"> DEVELOPED SOLUTIONS TO MANAGE ASSETS WITHIN FACILITIES ACROSS MULTIPLE SECTORS OPERATED 511 TRAVELLER INFORMATION SYSTEM, REACHING 1 IN 4 AMERICANS





“In 2017, we are making strategic investments in key markets, especially in the USA and in software and technology, allowing IBI to provide enhanced services to our clients.”

**MESSAGE FROM THE CEO,
SCOTT STEWART**

2016 was another year of strong growth, solid financial performance, an improved balance sheet, and corporate transformation.

IBI Group benefited from continued urbanization, major investments in infrastructure, and growing needs and opportunities for technology to better deliver urban services. Canada is still our major market, but we see solid growth in the USA and International operations.

We have continued our investment in staff, the tools we use and the procedures we apply, improving the quality of our services, the employee experience, and ensuring our competitive position in the market.

Our improved financial standing and debt reduction puts the firm in a strong position to respond to changes in the political and the economic environment we have seen over the past year, and make strategic investments to grow the business.

In 2017, we are making those investments in key markets, especially in the USA and in software and technology, allowing IBI to provide enhanced services to our clients. The ultimate objective is to transition IBI into a technology-based design firm that participates in and creates value throughout the life of the assets we design. This will be transformative, changing our business model, strengthening our relationship with clients, and creating new services for end-users.

SCOTT STEWART
CEO

MESSAGE FROM THE PRESIDENT, DAVID THOM

2016 allowed us to leverage our global thought leadership across different sectors to inspire staff, drive growth, and respond to the challenges of an urban future.

Three years ago, we set out on the bold task of redesigning IBI Group through our firm's first strategic plan. In 2015, we started aligning our practice areas with our clients' market segments. Last year's focus was on tapping our knowledge base to further strengthen our position as global thought leaders to ensure strong, sustained growth in the years to come.

We began this journey by looking at our internal knowledge pool. First we crowd-sourced ideas from our staff on how to leverage our collective experience. This resulted in a series of staff-driven initiatives to develop emerging leaders, to foster wellness for staff, and develop a vision for the IBI of the future. The insights allowed us to conceive a model for staff-directed micro-research. In addition, an internal design competition produced a series of innovative healthcare sector, design, and technology solutions that we are now taking to market.

The energy of these internal initiatives has progressively been channeled to our clients and followers. We launched our new blog, THINK by IBI, showcasing our multidisciplinary thinking on urban futures. We reenergized our social media presence by engaging in dialogue about the future of cities. We rolled out our Instagram account, presenting a visual story of what inspires us. And, we shared the insights of our first micro-research project, exploring the effects of driverless cars on cities.

Our strengthened global thought leadership position has not passed unnoticed by the markets:

- We have won high-profile projects, such as the Bhubaneswar Smart City Strategy in India and the FTA mobility-on-demand 'sandbox' grant in Portland, Oregon;
- We have completed prominent Healthcare+ projects, such as the award-winning Women's College Hospital in Toronto that built on the success of super-hospitals in Glasgow and Montreal;
- We have bolstered our Living+ practice by winning a USA-wide competition for Aging in Place and established a seniors studio centre of excellence to think through the impact of an aging population on cities;
- Our Learning+ practice won the state of Texas' highest award for educational facility design and will soon open a \$160M educational village in the fastest growing school district in Texas.

These and other examples underpin our strong financial performance, particularly in the USA, where we had double-digit growth during 2016. For 2017, we will focus on advancing our goal to transform IBI Group into an integrated design and technology firm. If 2016 is an indication, 2017 will be an even better year for IBI.



DAVID THOM
PRESIDENT





“The growth in our revenue and profitability was to the benefit of all shareholders with our share price more than doubling in 2016.”



**MESSAGE FROM THE CHAIR
OF THE BOARD, DALE RICHMOND**

With long-term growth in urban markets, a prosperous, resilient IBI Group is poised for a strong and sustainable future.

In 2016, IBI Group realized additional potential from the transformative change it undertook in 2013 under the leadership of our CEO, Scott Stewart and our President, David Thom. Benefiting from a sustainable and resilient platform for growth, we are in a strong financial position and experienced growth in revenue in 2016.

Through the deployment of a global enterprise resource planning system, and the enhancement of operational and financial controls, the firm continued to improve the efficiency and quality of its operations. The growth in our revenue and profitability was to the benefit of all shareholders with our share price more than doubling in 2016.

Economic growth is increasingly concentrated in urban and infrastructure markets and our core business is strong and growing. Also, IBI's long history of systems and intelligence excellence and innovation, positions the firm to compete in an industry where technology plays an increasingly important role. The Board, working with IBI Group's senior management, and with the interests of shareholders in mind, will continue to guide the firm in ways that will allow it to grow and prosper.

A handwritten signature in black ink, appearing to read "Dale Richmond".

DALE RICHMOND
CHAIR OF THE BOARD





CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

YEARS ENDED DECEMBER 31, 2016 AND 2015





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 8, 2017

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, 2016 and December 31, 2015, the consolidated statements of comprehensive income (loss), cash flows and changes in equity/(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, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 8, 2017

IBI GROUP INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Canadian dollars)</i>	NOTES	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS			
Current Assets			
Cash	6	\$ 8,008	\$ 7,968
Restricted cash	6,12	–	3,238
Accounts receivable	6,12	108,593	111,771
Work in process	5	87,052	80,622
Prepaid expenses and other current assets		12,842	11,825
Income taxes recoverable	9	507	1,796
Total Current Assets		\$ 217,002	\$ 217,220
Restricted cash	6,12	4,522	2,010
Other assets		421	480
Property and equipment	7	15,772	14,923
Investment in equity accounted investee	20	–	32
Intangible assets	8	7,672	6,891
Deferred tax assets	9	16,421	13,684
TOTAL ASSETS		\$ 261,810	\$ 255,240
LIABILITIES AND DEFICIT			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6,12	55,505	54,423
Deferred revenue	5	50,522	38,675
Vendor notes payable	6,19	–	4,238
Income taxes payable	9	1,860	1,570
Consent fee notes payable	6,19	–	3,067
Finance lease obligation	6,12	37	148
Onerous lease provisions		1,018	995
Total Current Liabilities		\$ 108,942	\$ 103,116
Onerous lease provisions		2,270	3,244
Finance lease obligation	6,12	67	104
Credit facilities	6	73,184	72,277
Convertible debentures	6	43,876	84,720
Other financial liabilities	6	9,089	–
Deferred tax liabilities	9	4,176	6,660
TOTAL LIABILITIES		\$ 241,604	\$ 270,121
EQUITY/(DEFICIT)			
Shareholders' Equity/(Deficit)			
Share capital	11	279,667	248,422
Capital reserve		453	–
Contributed surplus	11	7,397	3,002
Deficit		(269,351)	(272,165)
Convertible debentures – equity component	6	561	4,956
Accumulated other comprehensive loss		(4,304)	(4,220)
Total Shareholders' Equity/(Deficit)		\$ 14,423	\$ (20,005)
Non-controlling interest	11	5,783	5,124
TOTAL EQUITY/(DEFICIT)		\$ 20,206	\$ (14,881)
TOTAL LIABILITIES AND EQUITY/(DEFICIT)		\$ 261,810	\$ 255,240

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

YEAR ENDED DECEMBER 31, 2016

(thousands of Canadian dollars, except per share amounts)

	NOTES	2016	2015
Revenue		\$ 354,140	\$ 327,092
Expenses			
Salaries, fees and employee benefits		248,869	229,900
Rent	14	22,740	23,466
Other operating expenses		41,781	37,136
Foreign exchange loss (gain)	12(a)	7,363	(8,699)
Amortization of intangible assets	8	1,002	784
Depreciation of property and equipment	7	4,323	4,024
Decrease in fair value of other financial liabilities		(1,819)	-
Impairment of financial assets	12	1,653	1,486
		325,912	288,097
OPERATING INCOME		\$ 28,228	\$ 38,995
Interest expense, net	12,15	25,553	21,792
Other finance costs	15	1,642	908
FINANCE COSTS		\$ 27,195	\$ 22,700
Share of loss of equity accounted investee, net of tax	20	32	785
NET INCOME BEFORE TAX		\$ 1,001	\$ 15,510
Current tax expense	9	2,908	381
Deferred tax (recovery) expense	9	(5,401)	3,793
INCOME TAXES		\$ (2,493)	\$ 4,174
Net income from continuing operations		3,494	11,336
Net loss from discontinued operations		-	(1,873)
NET INCOME		\$ 3,494	\$ 9,463
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		(105)	(1,054)
OTHER COMPREHENSIVE LOSS, NET OF TAX		(105)	(1,054)
TOTAL COMPREHENSIVE INCOME		\$ 3,389	\$ 8,409
NET INCOME ATTRIBUTABLE TO:			
Common shareholders		2,814	7,381
Non-controlling interests	11	680	2,082
NET INCOME		\$ 3,494	\$ 9,463
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common shareholders		\$ 2,730	\$ 6,559
Non-controlling interests	11	659	1,850
TOTAL COMPREHENSIVE INCOME		\$ 3,389	\$ 8,409
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Basic earnings per share	11	\$ 0.11	\$ 0.41
Diluted earnings per share	11	\$ 0.11	\$ 0.41
Basic earnings per share from continuing operations	11	\$ 0.11	\$ 0.49
Diluted earnings per share from continuing operations	11	\$ 0.11	\$ 0.49
Basic and diluted earnings per share from discontinued operations	11	\$ -	\$ (0.08)

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(thousands of Canadian dollars)

	NOTES	2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Net income		\$ 3,494	\$ 9,463
Items not affecting cash:			
Onerous lease provision		(951)	(499)
Depreciation of property and equipment	7	4,323	4,024
Amortization of intangible assets	8	1,002	784
Amortization of deferred financing costs	6	1,041	245
Impairment of financial assets		1,653	1,486
Share of loss of equity-accounted investee, net of tax	20	32	785
Foreign exchange loss (gain)	12	7,363	(8,699)
Interest expense, net	15	25,553	21,792
Deferred tax (recovery) expense	9	(5,401)	3,793
Stock option expense		453	-
Decrease in fair value of other financial liabilities		(1,819)	-
Interest paid		(8,608)	(14,824)
Income taxes paid		(1,449)	(1,486)
Change in non-cash operating working capital	13	4,164	13,962
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 30,850	\$ 30,826
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments on principal of notes payable	19	(4,076)	(1,609)
Payments on principal of credit facilities		(1,263)	(2,573)
Payments on principal of consent fee		(3,545)	-
Issuance of convertible debentures	6	46,000	-
Costs from issuance of convertible debentures	6	(2,594)	-
Redemption of convertible debentures	6	(57,500)	(20,000)
Deferred financing costs	6	-	(2,839)
Payments on principal of finance lease obligation		(148)	(676)
Proceeds from shares issued	11	-	5,579
NET CASH USED IN FINANCING ACTIVITIES		\$ (23,126)	\$ (22,118)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property and equipment	7	(5,529)	(5,613)
Purchase of intangible assets	8	(2,070)	(1,650)
Restricted cash		629	(4,857)
NET CASH USED IN INVESTING ACTIVITIES		\$ (6,970)	\$ (12,120)
Effect of foreign exchange rate fluctuations on cash held	12	(714)	1,038
NET INCREASE (DECREASE) IN CASH		\$ 40	\$ (2,374)
Cash, beginning of period		7,968	10,342
CASH, END OF PERIOD		\$ 8,008	\$ 7,968

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY/(DEFICIT)

YEAR ENDED DECEMBER 31, 2016

(thousands of Canadian dollars)

	NOTES	2016	2015
SHARE CAPITAL			
Share capital, beginning of period		\$ 248,422	\$ 235,036
Shares issued	11	31,245	13,386
SHARE CAPITAL, END OF PERIOD		\$ 279,667	\$ 248,422
CAPITAL RESERVE			
Capital reserve, beginning of period		\$ -	\$ -
Stock options		453	-
CAPITAL RESERVE, END OF PERIOD		\$ 453	\$ -
CONTRIBUTED SURPLUS			
Contributed surplus, beginning of period		3,002	2,106
Redemption of 5.75% debentures		-	896
Redemption of 6% debentures		3,206	-
Conversion of 7% debentures		1,189	-
CONTRIBUTED SURPLUS, END OF PERIOD		\$ 7,397	\$ 3,002
DEFICIT			
Deficit, beginning of period		(272,165)	(279,546)
Net income attributable to common shareholders		2,814	7,381
DEFICIT, END OF PERIOD		\$ (269,351)	\$ (272,165)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT			
Convertible debentures, beginning of period	6(b)	4,956	5,852
Redemption of 5.75% debentures	6(b)	-	(896)
Redemption of 6% debentures	6(b)	(3,206)	-
Conversion of 7% debentures	6(b)	(1,189)	-
CONVERTIBLE DEBENTURES, END OF PERIOD		\$ 561	\$ 4,956
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Accumulated other comprehensive loss, beginning of period		(4,220)	(3,398)
Other comprehensive loss attributable to common shareholders		(84)	(822)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		\$ (4,304)	\$ (4,220)
TOTAL SHAREHOLDERS' EQUITY/(DEFICIT)		\$ 14,423	\$ (20,005)
NON-CONTROLLING INTEREST			
Non-controlling interest, beginning of period		5,124	1,305
Total comprehensive income attributable to non-controlling interests	11	659	1,850
Issuance of shares	11	-	1,969
NON-CONTROLLING INTEREST, END OF PERIOD		\$ 5,783	\$ 5,124
TOTAL EQUITY/(DEFICIT), END OF PERIOD		\$ 20,206	\$ (14,881)

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, 2016, the Company’s common share capital consisted of 31,186,819 (2015 – 24,966,744) 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, 2016 would be 37,469,041 (December 31, 2015 – 31,248,966). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 37.5% of the voting shares as at December 31, 2016 (December 31, 2015 – 44.5%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2016:

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL OWNERSHIP
Class B partnership units and non-participating voting shares held by the Management Partnership	6,282,222	16.77%
Common shares held by the Management Partnership and affiliated partnerships	7,763,329	20.72%

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	6,282,222	20.10%
Common shares held by the Management Partnership and affiliated partnerships	7,619,874	24.40%

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, 2016:

SECURITY	TRADING SYMBOL
Common shares	"IBG"
7.0% convertible debentures (Option A), \$14,755 principal, convertible at \$19.17 per share, matures on June 30, 2019 ("7.0% Debentures")	"IBG.DB.C"
5.5% convertible debentures, \$46,000 principal, convertible at \$8.35 per share, matures on December 31, 2021 ("5.5% Debentures")	"IBG.DB.D"

The Company's registered head office is 55 St. Clair Ave. West, 7th Floor, Toronto, Ontario, 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 7, 2017.

(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 proportionate share of 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 “US\$” are to US 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, 2016 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.

ACCURACY 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, review of project budgets is performed to determine whether an adjustment is required to the percentage of completion to accurately reflect revenue earned to date. The percentage complete is determined by estimating 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.

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 based on a percentage of completion calculation 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
ERP Systems	Straight line	10 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

Cash settled transactions

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

Equity settled transactions

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. An option valuation model is used to fair value the stock options on the grant date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(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
Other financial liability	FVTPL	Fair value

(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.

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 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 and derivative liability component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability, derivative liability, and equity components in proportion to their initial carrying amounts.

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

DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

(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**(a) ACCOUNTING POLICY CHANGES ADOPTED IN 2016***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 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, 2016. The adoption of the amendments did not have a material impact on the consolidated 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.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not 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 adopted the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

(b) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED*Amendments to IAS 7 Statement of Cash Flows*

In January 2016, the IASB issued Disclosure Initiative (*Amendments to IAS 7*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 12 Income Taxes

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt

instruments measured at fair value. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 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: at a point in time or over time. 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.

In April 2016, the IASB issued *Clarifications to IFRS 15*, which is effective at the same time as IFRS 15.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a plan to review contracts in multiple operating segments that may be impacted by the adoption of this standard. The Company is in the initial phase of the project plan as it has identified a sample of significant contracts within each operating segment for initial review in accordance with IFRS 15. The extent of the impact of adoption of the standard has not yet been determined, but management expects the contracts for software license agreements that are accounted for as multiple-element arrangements will have the most complexity. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

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 for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

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.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In June 2016, the IASB issued Amendments to IFRS 2 *Share-Based Payments* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively or retrospectively, with early application permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the standard has not yet been determined.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016 the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"). The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the interpretation 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 US, and internationally.

(b) GEOGRAPHIC SEGMENTS

The following table demonstrates certain consolidated statement of financial position information line items segmented geographically as at December 31, 2016, with comparatives as at December 31, 2015:

	AS AT DECEMBER 31, 2016			
	CANADA	US	INTERNATIONAL	TOTAL
Property and equipment	\$ 10,431	\$ 3,837	\$ 1,504	\$ 15,772
Intangible assets	4,599	2,519	554	7,672
Work in process	53,082	12,121	30,895	96,098
Reserve for work in process	(8,788)	-	(258)	(9,046)
Work in process, net	44,294	12,121	30,637	87,052
Deferred revenue	31,064	6,504	12,954	50,522
Total assets	125,844	64,037	71,929	261,810
	AS AT DECEMBER 31, 2015			
	CANADA	US	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

The following table demonstrates certain information contained in the consolidated statement of comprehensive income (loss) segmented geographically for the year ended December 31, 2016, with comparatives for the year ended December 31, 2015. The unallocated amounts pertain to interest on convertible debentures.

	YEAR ENDED DECEMBER 31, 2016				
	UNALLOCATED CORPORATE COSTS	CANADA	US	INTERNATIONAL	TOTAL
Revenues	\$ -	\$ 186,377	\$ 118,271	\$ 49,492	\$ 354,140
Net income (loss) before tax	\$ (26,107)	\$ 14,361	\$ 8,792	\$ 3,955	\$ 1,001
Foreign exchange loss	-	6,630	75	658	7,363
Net income (loss) before tax and foreign exchange	\$ (26,107)	\$ 20,991	\$ 8,867	\$ 4,613	\$ 8,364

	YEAR ENDED DECEMBER 31, 2015				
	UNALLOCATED CORPORATE COSTS	CANADA	US	INTERNATIONAL	TOTAL
Revenues	\$ -	\$ 176,760	\$ 102,848	\$ 47,484	\$ 327,092
Net income (loss) before tax	\$ (20,785)	\$ 32,192	\$ 3,507	\$ 596	\$ 15,510
Foreign exchange loss (gain)	-	(8,892)	(23)	216	(8,699)
Net income (loss) before tax and foreign exchange	\$ (20,785)	\$ 23,300	\$ 3,484	\$ 812	\$ 6,811

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% 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 05, 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		2,240
June 30, 2017		2,240
September 30, 2017		2,240
December 31, 2017		2,240
March 31, 2018		2,240
June 30, 2018		2,240

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, 2016, deposit to the Sinking Fund, which has been recognized in restricted cash in the consolidated statement of financial position. The Company applied \$13,690 from the sinking fund to redeem a portion of 6% Debentures on December 30, 2016. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin. On November 8, 2016, the Company's quarterly Sinking Fund contribution was modified to \$2,240 per quarter beginning on March 2017.

As at December 31, 2016, IBI Group has borrowings of \$74,737 under the credit facilities, which has been recognized in the consolidated statement of financial position net of deferred financing costs of \$1,553. IBI Group has letters of credit outstanding of \$8,034 as at December 31, 2016, of which \$5,816 is issued under a \$7,500 facility which matures on July 31, 2017 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2016, \$32,117 was outstanding under Bankers' Acceptance with the remainder borrowed as Prime Rate debt.

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

The 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 EBITDA¹ 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, 2016.

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.

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.

(b) CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at December 31, 2016 and December 31, 2015.

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.75% Debentures (redeemed)				
Balance January 1, 2015	18,838	896	-	19,734
Accretion of 5.75% Debentures 2015	1,162	-	-	1,162
Redemption of 5.75% Debentures (December 2015)	(20,000)	(896)	-	(20,896)
Balance at December 31, 2015	-	-	-	-
6.0% Debentures (redeemed)				
Balance at January 1, 2015	54,266	3,206	-	57,472
Accretion of 6.0% Debentures 2015	836	-	-	836
Balance at December 31, 2015	55,102	3,206	-	58,308
Accretion of 6.0% Debentures 2016	2,398	-	-	2,398
Redemption of 6.0% Debentures (October 2016)	(43,810)	(2,443)	-	(46,253)
Redemption of 6.0% Debentures (December 2016)	(13,690)	(763)	-	(14,453)
Balance at December 31, 2016	-	-	-	-
7.0% Debentures (matures on June 30, 2019)				
Balance at January 1, 2015	25,333	1,750	-	27,083
Accretion of 7.0% Debentures 2015	4,285	-	-	4,285
Balance at December 31, 2015	29,618	1,750	-	31,368
Accretion of 7.0% Debentures 2016	12,486	-	-	12,486
Conversion of 7.0% Debentures (October 2016)	(31,245)	(1,189)	-	(32,434)
Balance at December 31, 2016	10,859	561	-	11,420
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2016	-	-	-	-
Issuance of 5.5% Debentures (September 2016)	32,498	-	10,908	43,406
Accretion of 5.5% Debentures 2016	519	-	-	519
Decrease in fair value of other financial liabilities (December 2016)	-	-	(1,819)	(1,819)
Balance at December 31, 2016	33,017	-	9,089	42,106
BALANCE, DECEMBER 31, 2016	\$ 43,876	\$ 561	\$ 9,089	\$ 53,526

5.5% DEBENTURES (\$46,000 PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of \$46,000 with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of \$8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at \$32,498 which was net of deferred financing costs of \$2,594, estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of \$10,908 at the date of issuance, and recorded as part of Other financial liabilities in the statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at December 31, 2016, the fair value of the derivative component was \$9,089.

On September 30, 2016, the net proceeds of \$43,406 from the issuance of the 5.5% Debentures were used to repay the Company's credit facilities.

6.0% DEBENTURES (\$57,500 PRINCIPAL, REDEEMED ON OCTOBER 24, 2016 AND DECEMBER 30, 2016)

On October 24, 2016, the Company financed the partial redemption of its 6.0% Debentures for \$43,810 cash from the credit facilities, plus paid accrued and unpaid interest up to but excluding the redemption date. On December 30, 2016, the Company redeemed the remaining portion of the 6.0% Debentures for \$13,690 cash, plus paid accrued and unpaid interest up to but excluding the redemption date. The 6.0% Debentures were accreted to principal upon each redemption date, resulting in \$2,398 of accretion expense being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. The equity component of \$3,206 was reclassified to contributed surplus upon redemption.

7.0% DEBENTURES (\$46,000 PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED ON OCTOBER 31, 2016)

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.

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C (“IBG.DB”). The holders of \$29,988 principal of the 7.0% Debentures had exercised the \$5 share conversion option and received 5,997,600 shares. For the balance of \$1,257 principal of the 7.0% Debentures, the Company issued 222,476 shares. The financial liability being redeemed under Options B and C were accreted to the full principal value, resulting in total accretion expense of \$12,485 being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. See Note 15 – Finance Costs for further detail regarding the accretion expense for the period. The Company recorded \$31,245 in common shares and reclassified the equity component of the portion redeemed of \$1,189 to contributed surplus.

The fair value of the remaining 7.0% Debentures under Option A is \$15,043 (December 31, 2015 - \$10,624) with a face value of \$14,755 should they be redeemed for cash prior to or at maturity. The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

The fair value of the convertible debentures as at December 31, 2016, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	\$ 33,017	\$ 46,920
6.0% Debentures	-	-
7.0% Debentures	10,859	15,043
BALANCE, DECEMBER 31, 2016	\$ 43,876	\$ 61,963

The fair value of the convertible debentures as at December 31, 2015, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	\$ -	\$ -
6.0% Debentures	55,102	42,493
7.0% Debentures	29,618	33,917
BALANCE, DECEMBER 31, 2015	\$ 84,720	\$ 76,410

(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, 2016 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL		LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS					
Cash	\$	8,008	\$	-	\$ 8,008
Restricted cash		4,522		-	4,522
Accounts receivable		-		108,593	108,593
TOTAL	\$	12,530	\$	108,593	\$ 121,123
FINANCIAL LIABILITIES					
Accounts payable and accrued liabilities	\$	-	\$	-	\$ 53,145
Deferred share plan liability ⁽¹⁾		2,360		-	2,360
Consent fee notes payable		-		-	-
Finance lease obligation		-		104	104
Credit facilities		-		73,184	73,184
Convertible debentures		-		43,876	43,876
Other Financial Liabilities		9,089		-	9,089
TOTAL	\$	11,449	\$	-	\$ 170,309

(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, 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
Other Financial Liabilities		-	-	-	-
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 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, 2016 and December 31, 2015:

	AS AT DECEMBER 31, 2016		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	\$ 8,008	\$ -	\$ -
Restricted cash	4,522	-	-
Deferred share plan liability ⁽¹⁾	-	(2,360)	-
Other Financial Liabilities	-	(9,089)	-
	\$ 12,530	\$ (11,449)	\$ -

	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)	\$ -

NOTE 7: PROPERTY AND EQUIPMENT**(a) CARRYING AMOUNT**

The following table presents the Company's property and equipment as at December 31, 2016 and December 31, 2015:

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
COST					
January 1, 2015	\$ 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
Additions	2,059	1,465	36	3,166	6,726
Disposals	(1,069)	(247)	-	(197)	(1,513)
Write off of fully amortized assets	(32)	(188)	-	(216)	(436)
Foreign currency translation loss	(355)	(589)	(65)	(274)	(1,283)
DECEMBER 31, 2016	\$ 12,475	\$ 18,487	\$ 392	\$ 15,634	\$ 46,988

	OFFICE FURNITURE AND EQUIPMENT		COMPUTER EQUIPMENT		VEHICLES	LEASEHOLDS	TOTAL
ACCUMULATED DEPRECIATION							
January 1, 2015	\$	5,434	\$	12,256	\$	99	\$ 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 loss		477		944		14	376 1,811
December 31, 2015	\$	6,856	\$	14,914	\$	170	\$ 6,631 28,571
Depreciation from continuing operations		1,211		1,962		72	1,078 4,323
Write off of fully amortized assets		(32)		(188)		-	(216) (436)
Disposals		(130)		(54)		-	(131) (315)
Foreign currency translation gain		(290)		(449)		(27)	(161) (927)
DECEMBER 31, 2016	\$	7,615	\$	16,185	\$	215	\$ 7,201 31,216
NET CARRYING AMOUNT							
DECEMBER 31, 2015	\$	5,016	\$	3,132	\$	251	\$ 6,524 14,923
DECEMBER 31, 2016	\$	4,860	\$	2,302	\$	177	\$ 8,433 15,772

NOTE 8: INTANGIBLE ASSETS AND GOODWILL**(a) CARRYING AMOUNT**

The following table presents the Company's goodwill and intangible assets as at December 31, 2016 and December 31, 2015:

	ERP SYSTEM	CLIENT RELATIONSHIPS	OTHER	TOTAL
COST				
Balance at January 1, 2015	\$ 1,115	\$ 4,551	\$ 1,857	\$ 7,523
Fully amortized assets	-	-	(1,272)	(1,272)
Additions	1,650	-	-	1,650
Foreign exchange translation gain	-	817	246	1,063
December 31, 2015	\$ 2,765	\$ 5,368	\$ 831	\$ 8,964
Fully amortized assets	-	-	-	-
Additions	1,757	-	313	2,070
Foreign exchange translation loss	-	(332)	(26)	(358)
DECEMBER 31, 2016	\$ 4,522	\$ 5,036	\$ 1,118	\$ 10,676

	ERP SYSTEM	CLIENT RELATIONSHIPS	OTHER	TOTAL
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
Balance at January 1, 2015	\$ -	\$ 669	\$ 1,537	\$ 2,206
Fully amortized assets	-	-	(1,272)	(1,272)
Amortization	-	592	192	784
Foreign exchange translation loss	-	155	200	355
December 31, 2015	\$ -	\$ 1,416	\$ 657	\$ 2,073
Fully amortized assets	-	-	-	-
Amortization	227	600	175	1,002
Foreign exchange translation gain	-	(53)	(18)	(71)
DECEMBER 31, 2016	\$ 227	\$ 1,963	\$ 814	\$ 3,004

NET CARRYING AMOUNT

DECEMBER 31, 2015	\$ 2,765	\$ 3,952	\$ 174	\$ 6,891
DECEMBER 31, 2016	\$ 4,295	\$ 3,073	\$ 304	\$ 7,672

NOTE 9: INCOME TAXES

The major components of income tax expense include the following:

	YEAR ENDED	
	DECEMBER 31,	
	2016	2015
CURRENT TAX EXPENSE / (RECOVERY)		
Current period	\$ 2,904	\$ 478
Provision to file / Withholding taxes	4	(97)
	<u>2,908</u>	<u>381</u>
DEFERRED TAX EXPENSE / (RECOVERY)		
Origination and reversal of temporary differences	(3,037)	4,579
Change in tax rates	64	126
Adjustment for prior periods	(54)	69
Change in unrecognized deductible temporary differences	(2,374)	(981)
	<u>(5,401)</u>	<u>3,793</u>
TOTAL TAX EXPENSE	\$ (2,493)	\$ 4,174

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% (December 31, 2015 – 26.5%). The differences are as follows:

	YEAR ENDED DECEMBER 31,	
	2016	2015
Net income from continuing operations	\$ 3,494	\$ 11,336
Total tax expense	(2,493)	4,174
Net income before tax from continuing operations	\$ 1,001	\$ 15,510
Income tax using the Company's domestic tax rate	\$ 265	\$ 4,110
Income tax effect of:		
Non-deductible expenses	1,113	780
Change in deferred tax rates	64	126
Operating in jurisdictions with different tax rates	1,082	380
Change in unrecognized temporary differences	(2,374)	(981)
Prior period adjustments to current tax	(14)	(97)
Prior period adjustments to deferred tax	(54)	69
Withholding taxes	139	253
Recognition of previously unrecognized deferred tax asset	(2,972)	-
Benefit retained on discontinued operations	-	(374)
Other	258	(92)
INCOME TAX EXPENSE	\$ (2,493)	\$ 4,174

The applicable tax rate is the aggregate of the Canadian Federal income tax rate of 15% (2015 – 15%) and the Provincial income tax rate of 11.5% (2015 – 11.5%).

UNRECOGNIZED DEFERRED TAX LIABILITIES

As at December 31, 2016, the Company has approximately \$16,089 (December 31, 2015 - \$14,904) 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,	
	2016	2015
Deductible temporary differences	\$ 6,658	\$ 12,531
Tax losses – Federal	3,293	25,038
Tax losses – State	35,707	43,867
	\$ 45,658	\$ 81,436

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

	YEAR ENDED DECEMBER 31,	
	2016	2015
Deductible temporary differences	\$ 2,525	\$ 4,647
Tax losses – Federal	1,107	8,870
Tax losses – State	1,571	2,851
	\$ 5,203	\$ 16,368

Deferred tax assets are recognized for operating loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2016, the Company's affiliated entities have \$45,292 (December 31, 2015 - \$27,858) of operating loss carry forwards available for income tax purposes, which expire in the years 2017 through 2036. 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, 2016 and December 31, 2015 are presented below:

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	YEAR ENDED DECEMBER 31, 2016		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	\$ 1,128	\$ (552)	\$ 576
Non-capital loss	11,156	-	11,156
Reserves	556	(3,518)	(2,962)
Financing costs	302	-	302
Intangible assets	3,209	(94)	3,115
Other	70	(12)	58
	\$ 16,421	\$ (4,176)	\$ 12,245

	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

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, 2016 was \$23,720 (2015 - \$24,145). As at December 31, 2016, the Company advanced \$298 to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2015 – \$1,036). As at December 31, 2016, there were 87 partners (December 31, 2015 – 91 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, 2016 and 2015, the amount of distributions payable to the Management Partnership were nil.

As noted in Note 18 – Share Based Compensation, during the year the Company issued stock options to management under the terms of the Company's stock option plan.

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,	
	2016	2015
Directors fees, salaries and other short-term employee benefits	\$ 3,076	\$ 2,712
Share-based compensation	840	405
Total compensation	\$ 3,916	\$ 3,117

NOTE 11: EQUITY**(a) SHAREHOLDERS' EQUITY**

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2016, the Company's common share capital consisted of 31,186,819 shares issued and outstanding (December 31, 2015 – 24,966,744 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, 2016, the units issued on such exchange would have represented a 16.8% 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, 2016 and 2015.

SHARE ISSUANCES**2016**

- During the year ended December 31, 2016, the Company issued 6,220,076 common shares upon redemption of 7.0% Debentures Options B and C valued at \$31,245.

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.

DIVIDENDS

There were no dividends declared during the years ended December 31, 2016 and 2015. 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,	
	2016	2015
Net income	\$ 3,494	\$ 9,463
Net income from continuing operations attributable to owners of the Company	2,814	8,842
Net loss from discontinued operations attributable to owners of the Company	-	(1,461)
Net income attributable to owners of the Company	\$ 2,814	\$ 7,381
Weighted average common shares outstanding	26,020	17,985
Dilutive effect of Class B partnership units	6,282	5,074
Dilutive effect of stock options granted	193	-
Diluted weighted average common shares outstanding	32,495	23,059
Basic earnings per common share	\$ 0.11	\$ 0.41
Diluted earnings per common share	\$ 0.11	\$ 0.41
Basic earnings per share from continuing operations	\$ 0.11	\$ 0.49
Diluted earnings per share from continuing operations	\$ 0.11	\$ 0.49
Basic and diluted loss per common share from discontinued	\$ -	\$ (0.08)

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,	
	2016	2015
Net income	\$ 3,494	\$ 9,463
Non-controlling interest share of ownership ⁽¹⁾	19.45%	22.00%
Net income attributable to non-controlling interest	\$ 680	\$ 2,082

(1) For the purposes of allocating net income and total comprehensive income to non-controlling interest, the average share of non-controlling interest for the year ended December 31, 2016 was used.

	YEAR ENDED DECEMBER 31,	
	2016	2015
Total comprehensive income	\$ 3,389	\$ 8,409
Non-controlling interest share of ownership ⁽¹⁾	19.45%	22.00%
Total comprehensive income attributable to non-controlling interest	\$ 659	\$ 1,850

(1) For the purposes of allocating net income and total comprehensive income to non-controlling interest, the average share of non-controlling interest for the year ended December 31, 2016 was used.

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 US 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, 2016, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2016 would have decreased or increased by approximately \$275.

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 US-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, 2016, with all other variables held constant, total comprehensive income would have increased or decreased by \$274 for the year ended December 31, 2016. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2016, with all other variables held constant, net income would have increased or decreased by \$137 for the year ended December 31, 2016.

(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, 2016 there were 60 working days of revenue in accounts receivable, compared to 62 days at December 31, 2015. 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, 2016	DECEMBER 31, 2015
Current	\$ 46,057	\$ 44,283
30 to 90 days	29,315	30,614
Over 90 days	43,097	46,185
Allowance for impairment losses	(9,876)	(9,311)
TOTAL	\$ 108,593	\$ 111,771

(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, 2016, a foreign subsidiary of the Company had issued letters of credit in the amount of US \$2,300. The Company has pledged US \$2,300 (December 31, 2015 - \$2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

The Company has the following contractual obligations as at December 31, 2016:

	YEARS ENDED DECEMBER 31				
	CARRYING AMOUNT	2017	2018 AND 2019	2020 AND 2021	2022 AND BEYOND
Accounts payable and accrued liabilities	\$ 55,505	\$ 55,505	\$ -	\$ -	-
Credit facilities	73,184	-	74,737	-	-
Interest on credit facilities	-	3,874	1,937	-	-
Convertible debentures	43,876	-	14,755	46,000	-
Interest on convertible debentures	-	3,563	6,609	5,060	-
Finance lease obligation	104	37	67	-	-
Total obligations	\$ 172,669	\$ 62,979	\$ 98,105	\$ 51,060	-

(d) CAPITAL MANAGEMENT

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

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

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA¹ threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with all financial covenants as at December 31, 2016.

As disclosed in Note 6 – Financial Instruments, on September 30, 2016, the Company issued 5.5% Debentures at principal of \$46,000.

As disclosed in Note 6 – Financial Instruments, on October 24, 2016 and December 30, 2016, the Company redeemed its 6.0% Debentures at principal of \$57,500.

As disclosed in Note 6 – Financial Instruments, on October 31, 2016, the Company redeemed its 7% Debentures Options B and C.

(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.

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.

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

IFRS 7 *Financial Instruments – Disclosures*, requires disclosure of all financial instruments at fair value other than short term and carried at amortized cost, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

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

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2016 and December 31, 2015.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	YEAR ENDED	
	DECEMBER 31,	
	2016	2015
Accounts receivable	\$ (1,825)	\$ 3,538
Work in process	(9,457)	10,473
Prepaid expenses and other assets	(1,610)	(1,180)
Accounts payable and accrued liabilities	2,383	(6,931)
Deferred revenue	13,036	8,873
Net income taxes payable	1,637	(811)
Change in non-cash operating working capital	\$ 4,164	\$ 13,962

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.

2017	\$	26,641
2018		20,862
2019		16,732
2020		14,562
2021		14,036
Thereafter		52,963

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,	
	2016	2015
Lease expense	\$ 25,148	\$ 25,422
Onerous lease provision	(951)	(499)
Sublease income	(1,457)	(1,457)
Total rent expense	\$ 22,740	\$ 23,466

NOTE 15: FINANCE COSTS

	YEAR ENDED DECEMBER 31,	
	2016	2015
Interest on credit facilities	\$ 3,057	\$ 5,458
Interest on convertible debentures	5,872	7,781
Interest on consent fee notes payable	255	248
Non-cash accretion of convertible debentures	15,403	6,283
Non-cash accretion of consent fee notes payable	479	436
Other	487	1586
INTEREST EXPENSE, NET	\$ 25,553	\$ 21,792
Financing costs	\$ -	\$ 334
Amortization of deferred financing costs	1,041	245
Other	601	329
OTHER FINANCE COSTS	\$ 1,642	\$ 908
FINANCE COSTS	\$ 27,195	\$ 22,700

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 \$2,360. Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2016, the Company granted 73,764 deferred shares (December 31, 2015 – 121,048) and redeemed no deferred shares (December 31, 2015 – nil), for a total of 402,766 deferred shares outstanding as at December 31, 2016 (December 31, 2015 – 329,002). Compensation expense for the year ended December 31, 2016 related to the deferred shares was \$1,633 (December 31, 2015 – \$336). 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, 2016:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2016	329,002	\$ 727
Deferred shares issued	73,764	384
Change in fair value due to share price	-	1,249
BALANCE, DECEMBER 31, 2016	402,766	2,360

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
Change in fair value due to share price	-	112
BALANCE, DECEMBER 31, 2015	329,002	\$ 727

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: SHARE-BASED COMPENSATION

Cash settled transactions

The Company has a share-based compensation plan which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for as financial liabilities at FVTPL. On the grant date, the deferred shares are measured at fair value based on the market price with subsequent changes to the fair value until settlement recorded as salaries, fees and employee benefit expenses. The change in fair value of the deferred shares is recognized in other operating expenses in the consolidated statement of comprehensive income (loss). During the year ended December 31, 2016, an expense of \$384 was recognized (December 31, 2015 – \$224).

Equity settled transactions

The Company has an equity-settled stock option plan. The grant-date fair value of the stock options is recognized as salaries, fees and employee expenses, with a corresponding increase to capital reserve over the vesting period of the stock options. Market conditions are reflected in the initial measurement of fair-value, with no subsequent true-up for differences between expected and actual outcomes.

Under the terms of the Company's stock option plan, the options vest evenly over a three year period on each of the first, second and third anniversary dates of the grant, and expire on the tenth anniversary of the date of the grant. All options are to be settled by the physical delivery of shares.

On January 15, 2016, the Company granted 535,000 stock options to management under the terms of the Company's stock option plan at an exercise price of \$2.33 per share. The fair value of the stock option plan at the grant date has been measured using the Black-Scholes model. The following inputs were used in the measurement of the fair values at the grant date of the options:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Fair value at grant date	\$ 1.14	\$ 1.16	\$ 1.17
Share price at grant date	\$ 2.13	\$ 2.13	\$ 2.13
Exercise price	\$ 2.33	\$ 2.33	\$ 2.33
Expected volatility (weighted average)	64.2%	62.1%	60.2%
Expected life (weighted average)	5.5 years	6.0 years	6.5 years
Expected dividends	0%	0%	0%
Risk-free interest rate	0.64%	0.72%	0.81%

On May 25, 2016, the Company granted 99,213 stock options to management under the terms of the Company's stock options plan at an exercise price of \$4.49 per share. The fair value of the stock option plan at the grant date has been measured using the Black-Scholes model. The following inputs were used in the measurement of the fair values at the grant date of the options:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Fair value at grant date	\$ 2.47	\$ 2.49	\$ 2.52
Share price at grant date	\$ 4.34	\$ 4.34	\$ 4.34
Exercise price	\$ 4.49	\$ 4.49	\$ 4.49
Expected volatility (weighted average)	66.9%	64.3%	62.3%
Expected life (weighted average)	5.5 years	6.0 years	6.5 years
Expected dividends	0%	0%	0%
Risk-free interest rate	0.86%	0.92%	0.99%

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

For the year ended December 31, 2016, the Company has recognized an expense of \$453 (December 31, 2015 – nil).

NOTE 19: NOTES PAYABLE

The movement in the vendor notes payable for the year ended December 31, 2016 is as follows:

Balance, January 1, 2015	\$	5,013
Repayment		(1,609)
Foreign exchange		834
Balance, December 31, 2015	\$	4,238
Repayment		(4,076)
Foreign exchange		(162)
BALANCE, DECEMBER 31, 2016	\$	-

The vendor notes payable were repaid upon maturity on June 30, 2016.

The movement in the consent fee notes payable for the year ended December 31, 2016 is as follows:

		TOTAL
Balance, December 31, 2015	\$	3,067
Accretion		1,097
Repayment	\$	(4,164)
BALANCE, DECEMBER 31, 2016	\$	-

See Note 6 - Financial Instruments for further details regarding the issuance of consent fee notes related to the amendment of the 7.0% Debentures during 2014. The consent fee notes payable were repaid upon maturity on December 30, 2016.

NOTE 20: INVESTMENT IN EQUITY ACCOUNTED INVESTEE

On October 2, 2014, the Company's interest in China decreased from 100% to 51% by way of a sale of the China operations. 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 reconciles the Company's investment in China as at December 31, 2016 and December 31, 2015:

Investment in China, January 1, 2015	\$	817
Share of loss		(785)
Investment in China, December 31, 2015		32
Share of loss		(32)
INVESTMENT IN CHINA, DECEMBER 31, 2016	\$	-

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

FORWARD-LOOKING STATEMENTS.....	4
FORWARD LOOKING STATEMENTS AND RISK FACTORS	4
COMPANY PROFILE.....	5
OUTLOOK.....	6
FINANCIAL HIGHLIGHTS	7
OVERVIEW.....	8
KEY EVENTS	8
STATEMENT OF COMPREHENSIVE INCOME (LOSS)	8
RESULTS OF OPERATIONS.....	10
DESCRIPTION OF VARIANCES IN OPERATING RESULTS	11
SELECTED ANNUAL INFORMATION	16
ADJUSTED EBITDA FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS .	17
IMPACT OF TRENDS ON QUARTERLY RESULTS	18
LIQUIDITY AND CAPITAL RESOURCES	18
WORKING CAPITAL	18
CASH FLOWS	21
OPERATING ACTIVITIES.....	21
FINANCING ACTIVITIES	21
INVESTING ACTIVITIES.....	22
CREDIT FACILITY	22
SECURITY INTEREST OF SENIOR LENDERS	23
NOTES PAYABLE	23
CONVERTIBLE DEBENTURES	25
FINANCIAL RISK MANAGEMENT	27
MARKET RISK	27
CREDIT RISK.....	28
LIQUIDITY RISK.....	28
CONTRACTUAL OBLIGATIONS.....	29
CAPITAL MANAGEMENT	29
FUTURE CASH GENERATION.....	29
SHARE CAPITAL	30
TRANSACTIONS WITH RELATED PARTIES	30
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	31
ACCOUNTING DEVELOPMENTS	33
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING.....	36
DEFINITION OF NON-IFRS MEASURES	36

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, 2016 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2016, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2016 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, 2016. 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 8, 2017.

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 \$363 million in total revenue for the year ended December 31, 2017. The Company currently has \$331 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 2017. The Company has approximately ten 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, 2016).

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 EBITDA¹ 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,		YEAR ENDED DECEMBER 31,	
	2016 <i>(unaudited)</i>	2015 <i>(unaudited)</i>	2016	2015
Number of working days <i>(unaudited)</i>	63	63	251	251
Revenue	\$ 86,841	\$ 84,913	\$ 354,140	\$ 327,092
Net income from continuing operations	\$ 7,594	\$ 990	\$ 3,494	\$ 11,336
Net loss from discontinued operations	\$ -	\$ (462)	\$ -	\$ (1,873)
Net income	\$ 7,594	\$ 528	\$ 3,494	\$ 9,463
Cash flows provided by operating activities	\$ 17,247	\$ 14,248	\$ 30,850	\$ 30,826
Basic and diluted earnings per share	\$ 0.24	\$ 0.02	\$ 0.11	\$ 0.41
Basic earnings per share from continuing operations	\$ 0.24	\$ 0.04	\$ 0.11	\$ 0.49
Basic and diluted earnings per share from discontinued operations	\$ -	\$ (0.02)	\$ -	\$ (0.08)
Adjusted EBITDA ¹ <i>(unaudited)</i>	\$ 7,480	\$ 8,279	\$ 39,247	\$ 34,387
Adjusted EBITDA ¹ as a percentage of revenue <i>(unaudited)</i>	8.6%	9.7%	11.1%	10.5%

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

OVERVIEW

KEY EVENTS

- Revenue increased to \$86.8 million for the three months ended December 31, 2016 compared to \$84.9 million for the same period in 2015, which reflects an increase of \$1.9 million or 2.3%, and \$354.1 million for the year ended December 31, 2016 compared to \$327.1 million for the same period in 2015, which reflects an increase of \$27.0 million or 8.3%.
- Adjusted EBITDA¹ has decreased to \$7.5 million for the three months ended December 31, 2016 compared to \$8.3 million for the same period in 2015, which reflects a decrease of \$0.8 million or 9.7%, and \$39.2 million for the year ended December 31, 2016 compared to \$34.4 million for the same period in 2015, which reflects an increase of \$4.9 million or 14.1%.
- The Company issued 5.5% convertible unsecured subordinated debentures (principal \$46 million, maturing on December 31, 2021). The net proceeds of \$43.4 million upon issuance were used to repay the Company's credit facilities.
- On October 24, 2016, the Company financed the partial redemption of its 6.0% debentures for \$43.8 million cash from the credit facilities. On December 30, 2016, the Company redeemed the remaining portion of the 6.0% debentures for \$13.7 million using the funds available from its Sinking Fund balance.
- On October 31, 2016, the Company redeemed the 7.0% debentures under Options B and C for \$31.2 million by issuing 6,220,076 common shares.
- The Company made the required deposit toward the Sinking Fund for \$3.25 million during the three months ended December 31, 2016.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended December 31, 2016 was \$86.8 million, compared with \$84.9 million in the same period in 2015, an increase of 2.3%. Revenue for the year ended December 31, 2016 was \$354.1 million, compared with \$327.1 million for the same period in 2015, an increase of 8.3%.

For the three months ended December 31, 2016, the Company had net income from continuing operations of \$7.6 million compared with \$1.0 million for the same period in 2015. The change in net income from continuing operations for the three months ended December 31, 2016 is attributable to an increase in revenue, a decrease in interest expense and a positive impact of the gain on fair value of the derivative liability.

Net income from continuing operations for the year ended December 31, 2016 was \$3.5 million compared to \$11.3 million for the same period in 2015. Net income from continuing operations for the year ended December 31, 2016 is inclusive of a foreign exchange loss of \$7.4 million, compared to a foreign exchange gain of \$8.7 million, which was included in net income for the same period in 2015. The Company recorded a foreign exchange gain of \$8.7 million during the year ended December 31, 2015, as the Canadian dollar weakened against the US dollar and British pound. The foreign exchange loss during the year ended December 31, 2016 reflects the reversal of trends in global currency markets.

¹ See "Definition of Non-IFRS Measures".

Basic and diluted earnings per share from continuing operations was \$0.24 per share for the three months ended December 31, 2016, compared to \$0.04 for the same period in 2015. Basic and diluted earnings per share from continuing operations was \$0.11 per share for the year ended December 31, 2016, compared to \$0.49 for the same period in 2015.

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.

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2016 (unaudited)	2015 (unaudited)	2016	2015
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Revenue	\$ 86,841	\$ 84,913	\$ 354,140	\$ 327,092
Expenses				
Salaries, fees and employee benefits	61,914	59,174	248,869	229,900
Rent	5,947	5,856	22,740	23,466
Other operating expenses	10,502	10,321	41,781	37,136
Foreign exchange loss (gain)	(1,215)	(1,812)	7,363	(8,699)
Amortization of intangible assets	293	205	1,002	784
Depreciation of property and equipment	1,168	1,195	4,323	4,024
Decrease in fair value of other financial liabilities	(1,819)	-	(1,819)	-
Impairment of financial assets	558	1,033	1,653	1,486
	\$ 77,348	\$ 75,972	\$ 325,912	\$ 288,097
OPERATING INCOME	\$ 9,492	\$ 8,941	\$ 28,228	\$ 38,995
Interest expense, net	3,064	5,651	25,553	21,792
Other finance costs	414	389	1,642	908
FINANCE COSTS	\$ 3,478	\$ 6,040	\$ 27,195	\$ 22,700
Share of loss of equity-accounted investee, net of tax	-	149	32	785
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS	\$ 6,014	\$ 2,752	\$ 1,001	\$ 15,510
Current tax expense (recovery)	1,147	(940)	2,908	381
Deferred tax (recovery) expense	(2,727)	2,702	(5,401)	3,793
INCOME TAXES	\$ (1,580)	\$ 1,762	\$ (2,493)	\$ 4,174
Net income from continuing operations	\$ 7,594	\$ 990	\$ 3,494	\$ 11,336
Net loss from discontinued operations	\$ -	\$ (462)	\$ -	\$ (1,873)
NET INCOME	\$ 7,594	\$ 528	\$ 3,494	\$ 9,463
OTHER COMPREHENSIVE (LOSS) INCOME				
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	\$ (1,265)	\$ (838)	\$ (105)	\$ (1,054)
OTHER COMPREHENSIVE LOSS, NET OF TAX	(1,265)	(838)	(105)	(1,054)
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ 6,329	\$ (310)	\$ 3,389	\$ 8,409
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	\$ 6,089	\$ 413	\$ 2,814	\$ 7,381
Non-controlling interests	1,505	115	680	2,082
NET INCOME	\$ 7,594	\$ 528	\$ 3,494	\$ 9,463
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	\$ 5,079	\$ (241)	\$ 2,730	\$ 6,559
Non-controlling interests	1,250	(69)	659	1,850
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 6,329	\$ (310)	\$ 3,389	\$ 8,409
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic and diluted earnings per share	\$ 0.24	\$ 0.02	\$ 0.11	\$ 0.41
Basic and diluted earnings per share from continuing operations	\$ 0.24	\$ 0.04	\$ 0.11	\$ 0.49
Basic and diluted earnings per share from discontinued operations	\$ -	\$ (0.02)	\$ -	\$ (0.08)

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

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 for the three months ended December 31, 2016 increased by \$1.9 million or 2.3% compared to the same period in 2015. The increase in revenue is due to growth in the United States and International geographical segments, including continuing work on significant transit projects. Growth has slowed in the Company's international segment, which includes the UK, due to uncertainty in the UK of Brexit and the related decrease in the value of the British pound. Revenue for the three months ended December 31, 2016 in the UK decreased by \$2.6 million or 25% compared to the same period in 2015.

Revenue for the year ended December 31, 2016 increased by \$27.0 million or 8.3% compared to the same period in 2015. The increase in revenue is due to growth in all geographical segments, including continuing work on significant transit projects. Although there has been overall growth in the International segment the UK experienced a reduction in revenues of \$6.3 million due to the uncertainty of Brexit and the related decrease in the value of the British pound. Significant effort has been incurred on major transit projects during the year, the benefit of which is expected to be realized in future periods.

The impact of foreign exchange on revenue for the year ended December 31, 2016 was an additional \$2.2 million of revenue compared to the same period in 2015.

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2016 was \$61.9 million compared with \$59.2 million in the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the three months ended December 31, 2016 was 71.3% compared to 69.7% for the same period in 2015.

Salaries, fees and employee benefits for the year ended December 31, 2016 was \$248.9 million, compared with \$229.9 million for the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the year ended December 31, 2016 remained unchanged from the same period in 2015 at 70.3%, which is consistent with the budgeted compensation target of 70%.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended December 31, 2016 was \$0.2 million additional expense compared to the same period in 2015. The impact of foreign exchange on salaries, fees and employee benefits for the year ended December 31, 2016 was an additional \$1.5 million of expense compared to the same period in 2015.

iii) RENT FROM CONTINUING OPERATIONS

Rent for the three months ended December 31, 2016 remained unchanged from the same period in 2015 at \$5.9 million. Rent for the year ended December 31, 2016 was \$22.7 million, compared with \$23.5 million for the same period in 2015.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2016 was \$10.5 million, compared with \$10.3 million for the same period in 2015. As a percentage of revenues, operating expenses for the three months ended December 31, 2016 and 2015, respectively were 12.1%.

Other operating expenses for the year ended December 31, 2016 was \$41.8 million, compared to \$37.1 million for the same period in 2015. As a percentage of revenues, operating expenses for the year ended December 31, 2016 were 11.8% compared to 11.4% for the same period in 2015. The impact of foreign exchange on other operating expenses for the year ended December 31, 2016 was an additional \$0.2 million of expense compared to the same period in 2015.

A reduction in overhead expenses as a percentage of revenues will continue to be an area of focus for the Company as we look to improve overall efficiency.

v) FOREIGN EXCHANGE LOSS (GAIN)

Foreign exchange gain for the three months ended December 31, 2016 was \$1.2 million compared to \$1.8 million in the same period in 2015. Foreign exchange loss for the year ended December 31, 2016 was \$7.4 million compared to a gain of \$8.7 million for the same period in 2015.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, US 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, offset by the foreign exchange impact of its US dollar drawings on its credit facilities.

The foreign exchange loss for the year ended December 31, 2016, relates to the reversal of the foreign exchange gains on the US dollar and British pound recognized in 2015 of \$8.7 million.

Although the Company strives to minimize its exposure to foreign exchange fluctuations on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations by matching US dollar liabilities when possible, the Company's primary objective is to ensure it has sufficient cash flow to meet its short and long-term obligations. As such, the Company closely monitors its availability in its credit facilities based on foreign exchange rate fluctuations between the Canadian and US dollar, as well as ensures that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was \$0.3 million for the three months ended December 31, 2016 compared to \$0.2 million for the three months ended December 31, 2015. Amortization of intangible assets for the year ended December 31, 2016 was \$1.0 million compared to \$0.8 million for the year ended December 31, 2015. The increase in amortization in each period is a result of commencing amortization of the ERP system.

vii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended December 31, 2016 was \$1.2 million compared to \$1.2 million for the same period in 2015.

Amortization of property and equipment for the year ended December 31, 2016 was \$4.3 million compared to \$4.0 million for the same period in 2015.

viii) DECREASE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

Change in fair value of other financial liabilities for the three months ended December 31, 2016 was a gain of \$1.8 million compared to \$nil for the same period in 2015. Change in fair value of other financial liabilities for the year ended December 31, 2016 was a gain of \$1.8 million compared to \$nil for the same period in 2015. The gain is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% debentures.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2016 was \$0.6 million compared to \$1.0 million in the same period in 2015. The decrease is consistent with the Company's ongoing efforts to focus on collections, resulting in a decrease in write-offs of accounts receivable. Impairment of financial assets for the year ended December 31, 2016 was \$1.7 million compared to \$1.5 million for the same period in 2015. The impairment of financial assets during the year ending December 31, 2015 included recoveries of amounts that were previously written off in 2013.

x) INTEREST EXPENSE

Interest expense from continuing operations for the three months ended December 31, 2016 was \$3.1 million compared to \$5.6 million for the same period in 2015. The decrease of \$2.5 million is attributable to a reduction of \$0.4 million in interest on long-term debt, a reduction of \$1.1 million in interest on debentures, and a decrease of \$1.0 million in accretion expense due to the redemptions of the 6% debentures in October 2016 and December 2016 as well as the redemption of the 7% debentures option B and C in October 2016 respectively.

Interest expense for the year ended December 31, 2016 was \$25.5 million compared with \$21.8 million for the same period in 2015. The increase of \$3.8 million is primarily attributable to an increase of \$9.1 million due to accretion expense of convertible debentures redeemed in 2016. See discussion in the liquidity risk section of this MD&A for further details. The increase in accretion expense was offset by a decrease of \$2.4 million in interest on long-term debt, a decrease of \$1.9 million on interest on convertible debentures and a decrease of \$1.1 million in other interest as a result of a decrease in interest on the indebtedness owing to the Management Partnership, which was repaid on December 2015 and the repayment of the vendor notes on June 30, 2016.

xi) OTHER FINANCE COSTS

Other finance costs for the three months ended December 31, 2016 was \$0.4 million compared to \$0.4 million for the same period in 2015. Other finance costs for the year ended December 31, 2016 were \$1.6 million compared to \$0.9 million for the same period in 2015. The increase of \$0.7 million is attributable to an increase of \$0.8 million of amortization of deferred financing costs related to the renegotiation of the credit facilities in Q4 2015.

xii) INCOME TAXES

Income taxes for the three months ended December 31, 2016 was a recovery of \$1.6 million with an effective income tax rate of (26.0)% compared to an expense of \$1.8 million with an effective income tax rate of 64.0% for the same period in 2015. The decrease in the effective tax rate for the three months ended December 31, 2016 was principally as a result of recognition of previously unrecognized deferred tax assets. The tax expense for the three months ended December 31, 2015 was attributable to the composition of income in the various jurisdictions in which the Company operates and changes in the valuation of deferred tax assets.

Income taxes for the year ended December 31, 2016 was a recovery of \$2.5 million with an effective tax rate of (248.9)% compared to an expense of \$2.8 million with an effective tax rate of 26.9% for the same period in 2015. The decrease in the effective tax rate for the year ended December 31, 2016 was primarily a result of the US operations utilizing and recognizing previously unrecognized deferred tax assets during 2016.

xiii) NET INCOME

Net income for the three months ended December 31, 2016 was \$7.6 million compared to net income of \$0.5 million for the same period in 2015. The factors impacting this are set out in the description of individual line items above.

Net income for the year ended December 31, 2016 was \$3.5 million compared to \$9.5 million for the same period in 2015. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA¹ for the three months ended December 31, 2016 has decreased by \$0.8 million compared to the same period in 2015 (see table for adjusted EBITDA¹ from continuing operations for the previous eight quarters in this MD&A). Adjusted EBITDA¹ for the year ended December 31, 2016 has increased by \$4.9 million as a result of stronger operating performance from all geographical segments.

Following is a summary of finance costs for the year ended December 31, 2016 and December 31, 2015:

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED DECEMBER 31,	
	2016	2015
Interest on credit facilities	3,057	5,458
Interest on convertible debentures	5,872	7,781
Interest on consent fee notes payable	255	248
Non-cash accretion of convertible debentures	15,403	6,283
Non-cash accretion of consent fee notes payable	479	436
Other	487	1,586
INTEREST EXPENSE, NET	25,553	21,792
Financing costs	-	334
Amortization of deferred financing costs	1,041	245
Other	601	329
OTHER FINANCE COSTS	1,642	908
FINANCE COSTS	27,195	22,700

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, 2016:

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED DECEMBER 31,			FOREIGN EXCHANGE OPERATING	
	2016	2015	CHANGE	IMPACT	CHANGE
Revenue	86,841	84,913	1,928	318	1,610
Total expenses, net of foreign exchange gain	78,455	77,785	670	320	350

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED DECEMBER 31,			FOREIGN EXCHANGE OPERATING	
	2016	2015	CHANGE	IMPACT	CHANGE
Revenue	354,140	327,092	27,048	2,243	24,805
Total expenses, net of foreign exchange loss	318,440	296,796	21,644	1,870	19,774

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.

<i>(in thousands of Canadian dollars, except per share)</i>	YEAR ENDED		
	DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2014
Revenue	\$ 354,140	\$ 327,092	\$ 298,274
Net income from continuing operations	\$ 3,494	\$ 11,336	\$ 5,919
Net loss from discontinued operations	\$ -	\$ (1,873)	\$ (9,079)
NET INCOME (LOSS)	\$ 3,494	\$ 9,463	\$ (3,160)
Basic and diluted earnings per share	\$ 0.11	\$ 0.41	\$ (0.14)
Basic and diluted earnings per share from continuing operations	\$ 0.11	\$ 0.49	\$ 0.26
Basic and diluted earnings per share from discontinued operations	\$ -	\$ (0.08)	\$ (0.40)

<i>(in thousands of Canadian dollars)</i>	DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2014
TOTAL ASSETS	\$ 261,810	\$ 255,240	\$ 252,063
Onerous lease provisions	\$ 2,270	\$ 3,244	\$ 4,051
Consent fee notes payable	\$ -	\$ -	\$ 2,631
Finance lease obligation	\$ 67	\$ 104	\$ 235
Credit facilities	\$ 73,184	\$ 72,277	\$ 63,423
Convertible debentures	\$ 43,876	\$ 84,720	\$ 98,437
Other financial liabilities	\$ 9,089	\$ -	\$ -
Deferred tax liabilities	\$ 4,176	\$ 6,660	\$ 8,690
TOTAL LONG-TERM LIABILITIES	\$ 132,662	\$ 167,005	\$ 177,467

NET INCOME FROM CONTINUING OPERATIONS

In 2014, the Company's net income from continuing operations was impacted by the write-off of accounts receivable and WIP.

xiv) ADJUSTED EBITDA¹ FROM CONTINUING OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹. 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 EBITDA¹ 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.

<i>(unaudited)</i> <i>(in thousands of Canadian</i> <i>except for per share amounts)</i>	DECEMBER 2016	SEPTEMBER 2016	JUNE 30, 2016	MARCH 31, 2016	DECEMBER 2015	SEPTEMBER 2015	JUNE 30, 2015	MARCH 31, 2015
Revenue	86,841	88,211	90,443	88,645	84,913	83,819	80,879	77,481
Net Income (Loss)	7,594	(4,728)	4,465	(3,837)	528	4,815	1,594	2,526
Net Income (Loss) from continuing operations	7,594	(4,728)	4,465	(3,837)	990	6,226	1,594	2,526
Add:								
Interest expense, net	3,064	14,384	4,054	4,051	5,651	5,286	5,741	5,114
Current and deferred tax expense (recovery)	(1,580)	(873)	234	(274)	1,762	695	966	751
Amortization and Depreciation	1,461	1,345	1,242	1,277	1,399	1,247	1,168	994
	2,945	14,856	5,530	5,054	8,812	7,228	7,875	6,859
EBITDA	10,539	10,128	9,995	1,217	9,802	13,454	9,469	9,385
EBITDA as a percentage of revenue	12.1%	11.5%	11.1%	1.4%	11.5%	16.1%	11.7%	12.1%
Items excluded in calculation of Adjusted EBITDA ¹								
Foreign exchange (gain)/loss	(1,215)	(392)	1,723	7,247	(1,812)	(3,908)	303	(3,282)
Decrease in fair value of other financial liabilities	(1,819)	-	-	-	-	-	-	-
Change in fair value of DSP	(85)	365	349	620	63	(82)	231	(100)
Stock based compensation expenses	133	132	109	79	-	-	-	-
Deferred financing charges	261	262	259	259	298	2	87	192
Onerous lease provision	(334)	(275)	(119)	(223)	(222)	(236)	(196)	154
Share of loss of equity accounted investee, net of tax	-	-	-	32	150	226	212	197
	(3,059)	92	2,321	8,014	(1,523)	(3,998)	637	(2,839)
Adjusted EBITDA¹	7,480	10,220	12,316	9,231	8,279	9,456	10,106	6,546
Adjusted EBITDA¹ as a percentage of revenue	8.6%	11.6%	13.6%	10.4%	9.7%	11.3%	12.5%	8.4%
Earnings per share attributed to common shareholders	0.24	(0.15)	0.14	(0.12)	0.02	0.21	0.07	0.11
Earnings per share attributed to common shareholders from continuing operations	0.24	(0.15)	0.14	(0.12)	0.04	0.27	0.07	0.11
Weighted average share outstanding	26,020,418	24,966,744	24,966,744	24,966,744	17,985,213	17,808,484	17,808,484	17,808,484

¹ See "Definition of Non-IFRS Measures".

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 2016 as a result of continuing work on significant transit projects.

In addition, revenue is impacted by foreign exchange rates.

ii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income (loss) from continuing operations was negatively impacted in the first and second quarters of 2016 as a result of a foreign exchange loss of \$7.2 million and \$1.7 million, respectively. Net income from continuing operations was positively impacted in the first and fourth quarters of 2015 as a result of foreign exchange gains of \$3.2 million and \$1.8 million, respectively.

The net loss in the third quarter of 2016 was negatively impacted by the accelerated accretion of \$10.3 million resulting from the redemption of 6% and 7% debentures. Net income from continuing operations was positively impacted in the third quarter of 2015 as a result of foreign exchange gain of \$3.9 million.

Net income (loss) from continuing operations was positively impacted in the fourth quarter of 2016 by \$1.2 million resulting from a foreign exchange gain and \$1.8 million resulting from a gain on the fair value of other financial liabilities.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

<i>(in thousands of Canadian dollars)</i>	DECEMBER 31, 2016	DECEMBER 31, 2015	CHANGE
Current assets	\$ 217,002	\$ 217,220	\$ (218)
Current liabilities	(108,942)	(103,116)	(5,826)
WORKING CAPITAL	108,060	114,104	(6,044)

Current assets decreased by \$0.2 million as at December 31, 2016 when compared with December 31, 2015. This was due to a decrease of \$3.2 million of the current portion of restricted cash in 2016, a \$3.2 million decrease in accounts receivable, a \$1.2 million decrease in income taxes recoverable, offset by a \$6.4 million increase in work in process, a \$1.0 million increase in prepaid expenses and other current assets, and a nominal increase in cash. The current portion of restricted cash as at December 31, 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. These letters of credit are no longer expected to be released within the next twelve months (as the project has been extended) and have therefore been classified as long term as at December 31, 2016. Consistent with the continued increase in revenue, on a combined basis accounts receivable and WIP has increased by \$3.2 million offset by an increase in deferred revenue. The increase in prepaid expenses and other current assets is primarily due to renewal of corporate insurance.

There was a decrease in current assets due to foreign exchange as at December 31, 2016 of \$6.8 million.

Current liabilities increased by \$5.8 million as at December 31, 2016 when compared with December 31, 2015. This was due to a nominal decrease in accounts payable and accrued liabilities, a \$4.2 million decrease in vendor notes payable, a decrease in the current portion of finance lease obligation of \$0.1 million, a decrease in the consent fee notes payable of \$3.1 million, offset by an increase in deferred revenue of \$11.8 million, an increase in income taxes payable of \$0.1 million and a nominal increase in onerous lease provisions. The increase in deferred revenue of \$11.8 million is a result of accelerated billings. The decrease in vendor notes payable of \$4.2 million is due to repayment of the vendor notes during the second quarter of 2016. The decrease in consent fee notes payable of \$3.1 million is due to repayment of the consent fee upon maturity in the fourth quarter of 2016.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2016 of \$2.9 million.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS¹

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 27% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING ¹	DECEMBER 31, 2016 (unaudited)	SEPTEMBER 30, 2016 (unaudited)	JUNE 30, 2016 (unaudited)	MARCH 31, 2016 (unaudited)	DECEMBER 31, 2015* (unaudited)
Accounts receivable	60	57	55	58	62
WIP	49	50	49	48	45
Deferred revenue	(29)	(25)	(21)	(24)	(22)
	80	82	83	82	85

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

The days sales outstanding as at December 31, 2016 has decreased by 5 days compared to December 31, 2015. 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.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	DECEMBER 31, 2016	SEPTEMBER 30, 2016 (unaudited)	JUNE 30, 2016 (unaudited)	MARCH 31, 2016 (unaudited)	DECEMBER 31, 2015*
Accounts receivable	108.6	106.0	102.5	104.2	111.8
WIP	87.0	93.5	90.4	86.5	80.6
Deferred revenue	(50.5)	(46.3)	(39.3)	(42.1)	(38.7)
	145.1	153.2	153.6	148.6	153.7

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

¹ See "Definition of Non-IFRS Measures".

i) *Accounts Receivable*

The table below demonstrates the aging of receivables:

<i>Accounts receivable aging (net of allowance)</i>	<i>DECEMBER 31, 2016</i>	<i>%</i>	<i>SEPTEMBER 30, 2016</i>	<i>%</i>	<i>JUNE 30, 2016</i>	<i>%</i>	<i>MARCH 31, 2016</i>	<i>%</i>	<i>DECEMBER 31, 2015</i>	<i>%</i>
			<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>			
<i>(in thousands of Canadian dollars)</i>										
Current	46,057	42	43,196	41	38,580	38	40,145	38	44,283	40
30 to 90 days	29,315	27	32,340	30	34,350	33	30,847	30	30,614	27
Over 90 days	33,221	31	30,470	29	29,524	29	33,228	32	36,874	33
TOTAL	108,593	100	106,006	100	102,454	100	104,220	100	111,771	100

Accounts receivable has decreased by \$3.1 million since December 31, 2015. There was a decrease in accounts receivable due to foreign exchange during the year ended December 31, 2016 of \$3.5 million compared to an increase due to foreign exchange of \$10.3 million for the same period in 2015. As a result of continued progress on implementing the Enterprise Resource Planning (“ERP”) system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and twelve month periods maintained stability to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) *Work In Process*

WIP has increased by \$6.4 million since December 31, 2015. There was a decrease in WIP due to foreign exchange during the year ended December 31, 2016 of \$2.7 million compared to an increase due to foreign exchange of \$5.7 million for the same period in 2015. As a result of continued progress on implementing the ERP system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and twelve month periods maintained stability to minimize the risk to the working capital of the firm. The Company monitors WIP to ensure that any accounts where billing may be an issue are being dealt with in a timely manner.

iii) *Deferred Revenue*

Deferred revenue has increased by \$11.8 million since December 31, 2015. There was a decrease in deferred revenue due to foreign exchange during the year ended December 31, 2016 of \$0.7 million compared to an increase due to foreign exchange of \$1.8 million for the same period in 2015. This increase is a result of the Company’s continued efforts to improve the timeliness of billings as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

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,		
	2016	2015	CHANGE
<i>Cash flows provided by operating activities</i>	\$ 17,247	\$ 14,248	\$ 2,999
<i>Cash flows used in financing activities</i>	(24,329)	(4,086)	(20,243)
<i>Cash flows (used in) provided by investing activities</i>	7,420	(4,516)	11,936

(in thousands of Canadian dollars)	YEAR ENDED		
	DECEMBER 31,		
	2016	2015	CHANGE
<i>Cash flows provided by operating activities</i>	\$ 30,850	\$ 30,826	\$ 24
<i>Cash flows used in financing activities</i>	(23,126)	(22,118)	(1,008)
<i>Cash flows used in investing activities</i>	(6,970)	(12,120)	5,150

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended December 31, 2016 were \$17.2 million increased by \$3.0 million compared to cash flows provided by operating activities of \$14.2 million for the same period last year. The increase in operating cash flows is primarily the result of an increase in Adjusted EBITDA¹ of \$0.8 million, a reduction in interest paid of \$2.5 million, an increase in non-cash operating working capital of \$4.4 million and an increase in income taxes paid of \$0.6 million.

Cash flows from operating activities for the year ended December 31, 2016 were \$30.8 million compared to \$30.8 million for the same period last year. The nominal change in cash flows is primarily the result of a decrease in non-cash operating working capital of \$11.0 million, a nominal decrease in income taxes paid, offset by a decrease in interest paid of \$6.2 million and an increase in Adjusted EBITDA¹ of \$4.9 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2016 were \$24.3 million compared with \$4.1 million for the same period last year. During the three months ended December 31, 2016, the Company took advances of \$36.7 million from its credit facilities offset by \$57.5 million from redemption of convertible debentures and \$3.5 million from settling the consent fee payable. During the same period in 2015, the Company took advances of \$15.0 million from its credit facilities, and redeemed its convertible debentures for \$20.0 million and received cash issuance of shares under the rights offering for \$5.6 million.

Cash flows used in financing activities for the year ended December 31, 2016 were \$23.1 million compared to \$22.1 million for the same period last year. During the year ended December 31, 2016 the Company repaid advances of \$1.3 million on its credit facilities, repaid vendor notes of \$4.1 million and consent fee of \$3.5 million, and used \$14.1 million in cash related to activities on convertible debentures during the year. In comparison to 2015, the Company repaid \$1.6 million of vendor notes, repaid \$2.6 million towards its credit facilities, redeemed its convertible debentures for \$20.0 million and received cash issuance of

¹ See "Definition of Non-IFRS Measures".

shares under the rights offering for \$5.6 million. In addition, deferred financing costs of \$2.8 million incurred on the refinancing of the credit facilities was classified as a financing activity

INVESTING ACTIVITIES

Cash flows provided by investing activities for the three months ended December 31, 2016 were \$7.2 million compared to \$4.5 million used by investing activities for the same period last year. During the three months ended December 31, 2016, \$2.6 million was used for capital expenditures related to property and equipment, \$0.4 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and advances of \$10.4 million was drawn from the restricted cash sinking fund and was used to redeem the convertible debentures. During the same period in December 31, 2015, \$1.8 million was used for capital expenditures related to property and equipment, \$0.8 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system, and \$2.0 million was used to fund restricted cash.

Cash flows used in investing activities for the year ended December 31, 2016 were \$7.0 million compared to \$12.1 million for the same period last year. During the year ended December 31, 2016, \$5.5 million was used for capital expenditures related to property and equipment, \$2.1 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and advances of \$0.6 million was drawn from restricted cash sinking fund. During the same period in December 31, 2015, \$5.6 million was used for capital expenditures related to property and equipment, \$1.7 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system, and \$4.9 million was used to fund restricted cash.

CREDIT 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. As at December 31, 2016 the interest rate on Canadian dollar borrowings was 5.58% (December 31, 2015 – 4.95%) and 6.25% on US dollar borrowings (December 31, 2015 – 6.0%).

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. During the three months ended December 31, 2016, the Company withdrew \$13.7 million from the Sinking Fund to redeem its convertible debentures and made the required deposits to the Sinking Fund of \$3.25 million in the same quarter. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin. Transactions to the Sinking Fund have been recognized inclusive of interest earned as an investing activity in the consolidated statement of cash flows. On November 8, 2016, the Company's quarterly Sinking Fund contribution was modified to \$2,240 per quarter beginning on March 2017.

As at December 31, 2016, IBI Group has borrowings of \$74.7 million under the credit facilities, which has been recognized in the consolidated statement of financial position net of deferred financing costs of \$1.5 million. IBI Group has letters of credit outstanding of \$8.0 million as at December 31, 2016, of which \$5.8 million is issued under a \$7.5 million facility which matures on July 31, 2017 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2016, \$32.1 million was outstanding under Bankers' Acceptance with the remainder borrowed as Prime Rate debt.

As at December 31, 2015, IBI Group had borrowings of \$74.9 million under the credit facilities which had been recognized in the consolidated statement of financial position net of deferred financing costs of \$2.6 million. IBI Group had issued letters of credit of \$5.3 million as at December 31, 2015, of which \$3.1 million is issued under the \$5.0 million facility which matured on July 31, 2016 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. As at December 31, 2015, \$30.0 million was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt.

The 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 EBITDA¹ 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, 2016.

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.

NOTES PAYABLE

The movement in the vendor notes payable for the year ended December 31, 2016 is as follows:

(in thousands of Canadian dollars)

Balance, January 1, 2015	\$	5,013
Repayment		(1,609)
Foreign exchange		834
Balance, December 31, 2015	\$	4,238
Repayment		(4,076)
Foreign exchange		(162)
BALANCE, DECEMBER 31, 2016	\$	-

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

¹ See "Definition of Non-IFRS Measures".

2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable were US \$0.1 million until May 31, 2016 with a balloon payment of US \$2.6 million due June 30, 2016.

The movement in the consent fee notes payable for the year ended December 31, 2016 is as follows:

		TOTAL
Balance, December 31, 2015	\$	3,067
Accretion		1,097
Repayment	\$	(4,164)
BALANCE, DECEMBER 31, 2016	\$	-

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% debentures during 2014.

CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at December 31, 2016 and 2015.

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.75% Debentures (redeemed)				
Balance January 1, 2015	18,838	896	-	19,734
Accretion of 5.75% Debentures 2015	1,162	-	-	1,162
Redemption of 5.75% Debentures (December 2015)	(20,000)	(896)	-	(20,896)
Balance at December 31, 2015	-	-	-	-
6.0% Debentures (redeemed)				
Balance at January 1, 2015	54,266	3,206	-	57,472
Accretion of 6.0% Debentures 2015	836	-	-	836
Balance at December 31, 2015	55,102	3,206	-	58,308
Accretion of 6.0% Debentures 2016	2,398	-	-	2,398
Redemption of 6.0% Debentures (October 2016)	(43,810)	(2,443)	-	(46,253)
Redemption of 6.0% Debentures (December 2016)	(13,690)	(763)	-	(14,453)
Balance at December 31, 2016	-	-	-	-
7.0% Debentures (matures on June 30, 2019)				
Balance at January 1, 2015	25,333	1,750	-	27,083
Accretion of 7.0% Debentures 2015	4,285	-	-	4,285
Balance at December 31, 2015	29,618	1,750	-	31,368
Accretion of 7.0% Debentures 2016	12,486	-	-	12,486
Conversion of 7.0% Debentures (October 2016)	(31,245)	(1,189)	-	(32,434)
Balance at December 31, 2016	10,859	561	-	11,420
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2016	-	-	-	-
Issuance of 5.5% Debentures (September 2016)	32,498	-	10,908	43,406
Accretion of 5.5% Debentures 2016	519	-	-	519
Decrease in fair value of other financial liabilities (December 2016)	-	-	(1,819)	(1,819)
Balance at December 31, 2016	33,017	-	9,089	42,106
BALANCE, DECEMBER 31, 2016	\$ 43,876	\$ 561	\$ 9,089	\$ 53,526

5.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of \$46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the

conversion price of \$8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at \$32.5 million which was net of deferred financing costs of \$2.6 million. The fair value of the 5.5% non-derivative debt component was \$35.1 million and was estimated using discounted future cash flows at an estimated discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of \$10.9 million at the date of issuance, and recorded as part of Other Financial Liabilities in the statement of financial position. As at December 31, 2016, the fair value of the derivative component was \$9.1 million.

On September 30, 2016, the net proceeds of \$43.4 million from the issuance of the 5.5% Debentures were used to repay the Company's credit facilities.

6.0% DEBENTURES (\$57.5 MILLION PRINCIPAL, REDEEMED ON OCTOBER 24, 2016 AND DECEMBER 30, 2016)

On October 24, 2016, the Company financed the partial redemption of its 6.0% Debentures for \$43.8 million cash from the credit facilities, plus paid accrued and unpaid interest up to but excluding the redemption date. On December 30, 2016, the Company redeemed the remaining portion of the 6.0% Debentures for \$13.7 million cash, plus paid accrued and unpaid interest up to but excluding the redemption date. The 6.0% Debentures were accreted to principal upon each redemption date, resulting in \$2.4 million of accretion expense being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. The equity component of \$3.2 million was reclassified to contributed surplus upon redemption.

7.0% DEBENTURES (\$46.0 MILLION PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED ON OCTOBER 31, 2016)

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.

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C (“IBG.DB”). The holders of \$29.9 million principal of the 7.0% Debentures had exercised the \$5 share conversion option and received 5,997,600 shares. For the balance of \$1.2 million principal of the 7.0% Debentures, the Company issued 222,476 shares. The financial liability being redeemed under Options B and C were accreted to the full principal value, resulting in total accretion expense of \$12.5 million being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. See Description of Variances in Operating Results Part xiii for further detail regarding the accretion expense for the period. The Company recorded \$31,245 in common shares and reclassified the equity component of the portion redeemed of \$1.2 million to contributed surplus.

The fair value of the remaining 7.0% Debentures under Option A is \$15.0 million (December 31, 2015 - \$10.6 million). The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

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 US 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, 2016, 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, 2016 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 US 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, 2016, with all other variables held constant, total comprehensive income would have increased or decreased by \$0.3 million for the year ended December 31, 2016. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2016, with all other variables held constant, net income would have increased or decreased by \$0.1 million for the year ended December 31, 2016.

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, 2016, a foreign subsidiary of the Company had issued letters of credit in the amount of US \$2.3 million. The Company has pledged US \$2.3 million (December 31, 2015 – US \$2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

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, 2016:

<i>Contractual Obligations</i>	<i>Payment Due by Period</i>				
	<i>TOTAL</i>	<i>LESS THAN 1 YEAR</i>	<i>1-3 YEARS</i>	<i>4-5 YEARS</i>	<i>AFTER 5 YEARS</i>
(in millions of Canadian dollars)					
<i>Accounts payable and accrued liabilities</i>	\$ 55.5	\$ 55.5	\$ -	\$ -	\$ -
<i>Credit facilities¹</i>	73.2	-	74.7	-	-
<i>Interest on credit facilities^{1,2}</i>	-	3.9	1.9	-	-
<i>Convertible debentures</i>	43.9	-	14.8	46.0	-
<i>Interest on convertible debentures³</i>	-	3.6	6.6	5.1	-
<i>Finance lease obligation</i>	0.1	-	0.1	-	-
<i>Operating leases</i>	144.3	26.0	36.8	28.5	53.0
TOTAL CONTRACTUAL OBLIGATIONS	\$ 317.0	\$ 89.0	\$ 134.9	\$ 79.6	\$ 53.0

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 US 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 December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 8, 2017, the Company's common share capital consisted of 31,188,486 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, 2016, the units issued on such exchange would have represented a 16.8% 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, 2016.

SHARE ISSUANCES

- During the year ended December 31, 2016, the Company issued 6,220,076 common shares upon redemption of 7.0% Debentures Options B and C valued at \$31.2 million.

ACCUMULATED OTHER COMPREHENSIVE LOSS

- During the three months ended December 31, 2016, the Company incurred a loss of \$1.1 million related to the translation of financial statements of foreign operations, of which 83.2% is attributable to common shareholders.
- During the year ended December 31, 2016, the Company incurred a loss of \$0.2 million related to the translation of financial statements of foreign operations, of which 83.2% 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, 2016 was \$23.7 million (2015 - \$24.1 million). As at December 31, 2016, the Company advanced \$0.3 million to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2015 – \$1.0). As at December 31, 2016, there were 87 partners (December 31, 2015 – 91 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, 2016 and 2015, the amount of distributions payable to the Management Partnership were \$nil.

As noted in Note 18 – Share Based Compensation of the audited consolidated financial statements, during the year the Company issued stock options to management under the terms of the Company's stock option plan.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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, 2016 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.

ACCURACY 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, review of project budgets is performed to determine whether an adjustment is required to the percentage of completion to accurately reflect revenue earned to date. The percentage complete is determined by estimating 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.

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) ACCOUNTING POLICY CHANGES ADOPTED IN 2016

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 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, 2016. The adoption of the amendments did not have a material impact on the consolidated 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.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not 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 adopted the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

b) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 12 Income Taxes

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 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: at a point in time or over time. 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.

In April 2016, the IASB issued Clarifications to IFRS 15, which is effective at the same time as IFRS 15.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a plan to review contracts in multiple operating segments that may be impacted by the adoption of this standard. The Company is in the initial phase of the project plan as it has identified a sample of significant contracts within each operating segment for initial review in accordance with the IFRS 15. The extent of the impact of adoption of the standard has not yet been determined, but management expects the contracts for software license agreements that are accounted for as multiple-element arrangements will have the most complexity. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

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 for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

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.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In June 2016, the IASB issued Amendments to IFRS 2 *Share-Based Payments* (“IFRS 2”), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively or retrospectively, with early application permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the standard has not yet been determined.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

On December 8, 2016 the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”). The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the interpretation 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, 2016, 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, 2016, and ended on December 31, 2016, 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 27% 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.

BOARD OF DIRECTORS, IBI GROUP

Scott Stewart

Toronto, ON, Canada
CEO, IBI Group

David Thom

Vancouver, BC, Canada
President, IBI Group

Dale Richmond

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

Lorraine Bell

New York City, NY, USA
Independent Director;
Chair of the Audit Committee

Jane Bird

Vancouver, BC, Canada
Independent Director;
Member of the Governance
and Compensation Committee

Dr. Juri Pill

Etobicoke, ON, Canada
Independent Director;
Member of the Audit Committee;
Member of the Governance and
Compensation Committee

Angela Holtham

Mississauga, ON, Canada
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

Scott Stewart

CEO

David Thom

President

Stephen Taylor

CFO

Kevin Bebenek

Canada East Regional Lead

Peter Moore

Canada West Regional Lead

Tim Foley

USA East Regional Lead

David Chow

USA West Regional Lead

Paul Hewes

UK/Ireland Regional Lead

Trevor McIntyre

International Regional Lead

SHAREHOLDER INFORMATION

Transfer Agent

CST Trust Company
Toronto, ON, Canada

Auditors

KPMG LLP
Toronto, ON, Canada

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, 2017
10:00am ET
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
7.0% JUNE 30, 2019 DEBENTURES WITH A \$19.17 CONVERSION PRICE TRADE AS IBG.DB.C
5.5% DECEMBER 31, 2021 DEBENTURES WITH A \$8.35 CONVERSION PRICE TRADE AS IBG.DB.D

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

CONTACT

CORPORATE HEAD OFFICE

Scott Stewart, CEO

55 St. Clair Avenue West, 7th Floor
Toronto, ON M4V 2Y7 Canada
Tel +1 416 596 1930

CANADA EAST (11 OFFICES)

Kevin Bebenek, Regional Lead

55 St. Clair Avenue West, 7th Floor
Toronto, ON M4V 2Y7 Canada
Tel +1 416 596 1930

CANADA WEST (4 OFFICES)

Peter Moore, Regional Lead

Suite 300–10830 Jasper Avenue
Edmonton, AB T5J 2B3 Canada
Tel +1 780 428 4000

USA EAST (14 OFFICES)

Tim Foley, Regional Lead

635 Brookside Boulevard
Westerville, OH 43081 USA
Tel +1 614 818 4900

USA WEST (12 OFFICES)

David Chow, Regional Lead

315 West 9th Street, Suite 600
Los Angeles, CA 90015–4206 USA
Tel +1 213 769 0011

UK/IRELAND (10 OFFICES)

Paul Hewes, Regional Lead

87–91 Newman Street
London W1T 3EY UK
Tel +44 20 7079 9900

INTERNATIONAL (13 OFFICES)

Trevor McIntyre, Regional Lead

55 St. Clair Avenue West, 7th Floor
Toronto, ON M4V 2Y7 Canada
Tel +1 416 596 1930

For more information about specific offices,
visit www.ibigroup.com/contact



Defining the cities of tomorrow
ibigroup.com

ABOUT THIS PUBLICATION

The 2016 Annual Report was developed, designed, and produced by the firm's corporate Marketing and Communications team.

Written and Edited by
Charles Finley, Rachel DeWitt, and Julia Harper

Designed and Produced by
Robyn Gillrie

Portraiture by
Linden Laserna

QA Review by
Jenny Seo

Printed by
Hemlock Printers Ltd.

IBI Group's 2016 Annual Report is printed on FSC® Certified Paper. This paper has been certified to meet the environmental and social standards of the Forest Stewardship Council® (FSC) and comes from well-managed forests and other responsible sources. Cover enhancements have been created with a UV spot and flood varnish treatment.



To view a copy of this Annual Report online, please visit the Investors section of our website.

For more information about IBI Group, please visit www.ibigroup.com

©2017 IBI Group



Defining the cities of tomorrow
ibigroup.com



IBI Group is a globally integrated design and technology firm.