IBI GROUP 2017 ANNUAL REPORT

IBI

Defining the cities of tomorrow

ibigroup.com

2017 Highlights

FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS

- Revenues increased 2.1% to $361.4 million
- Adjusted EBITDA grew to $40.6 million, which is 11.2% of revenue
- Total debt reduced by $14.3 million
- Shareholder equity increased by $7.5 million

OPERATIONAL HIGHLIGHTS

- Canadian business was positive with strong growth, including a high demand for **mixed-use, high-rise housing,** especially in key urban markets.
- **Infrastructure investment projects** remained a significant contributor to the business, including Eglinton Crosstown Light Rail Transit (ECLRT), vivaNEXT, and Edmonton Valley Line LRT.
- Demonstrated **continued leadership in Smart Cities,** with significant project wins in India and participation in the North American Smart Cities Council.
- Secured two **major Bus Rapid Transit (BRT) projects** in Los Angeles market as part of Metro Measure M, one of the largest infrastructure funding programs in the US.
- Increased US and Canadian market share of our **511 traveller information product suite** with multiple new project wins. Our technology currently reaches one in four Americans.
- Provided and installed **235 toll lanes** for tolled highways in India, Greece, and Mexico in support of financing highway infrastructure. Additionally, our **back office account management solution** continues to be a key part of our toll system deployments.
- International operations finished the year well over target, with a **strong backlog of committed work** for 2018. Growth was achieved in **India and the Gulf Region**, particularly in the areas of Smart Cities, regional planning policy, and master planning.

2017 Contents

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IBI

Defining the cities of tomorrow

ibigroup.com

60+ GLOBAL OFFICES

2,500 DIFFERENCE-MAKERS
AND COUNTING

2017 REVENUE BY REGION

56 % CANADA
30 % UNITED STATES
8 % UNITED KINGDOM / IRELAND
6 % INTERNATIONAL

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.

FOUNDED 1974
PUBLICLY TRADED SINCE 2004
CORPORATE HEAD OFFICE TORONTO, CANADA
THREE SECTORS OF EXPERTISE INTELLIGENCE, BUILDINGS, INFRASTRUCTURE
2017 REVENUES FROM CONTINUING OPERATIONS $361.4 MILLION

2017 PROJECT HIGHLIGHTS

1

HYDERABAD ITMS

HYDERABAD, INDIA

IBI Group developed and deployed an Intelligent Traffic Management System (ITMS) for the City of Hyderabad – a first-of-its-kind at this scale for the country – which forms the foundation for our Smart City Platform. The system offers an inter-connected network of software and field devices to create an ecosystem for managing and responding to traffic; ultimately achieving a safe and efficient city experience for residents.

2

TORONTO-YORK SPADINA SUBWAY EXTENSION: PIONEER VILLAGE & FINCH WEST STATIONS

TORONTO, CANADA

As part of the Toronto Transit Commission's six-station Toronto-York Spadina Subway Extension, Finch West and Pioneer Village Stations form a crucial gateway to York University and the City of Vaughan. The extension is the first new subway project in Toronto in almost a decade.

3

FLORIDA 511

FLORIDA, USA

IBI designed and deployed a traveller information system for the State of Florida, providing real-time traffic information on interstate highways, toll roads, and major metropolitan roadways. System updates are available to Florida travellers via phone, web, mobile app, or by following FL511 on Twitter. System usage hit an all-time record, with two million web sessions over a ten-day period during Category Four Hurricane Irma.

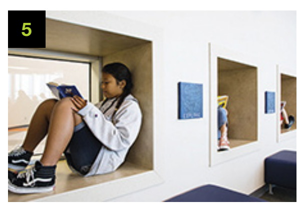
4

88 SCOTT STREET

TORONTO, CANADA

Just east of Toronto's downtown Yonge Street artery, 88 Scott reimagines an original 1951 limestone-clad building with a beautifully modernized glass façade. Rising from an elegantly repurposed five-storey podium base, a 53-storey tower spirals upwards into the Toronto skyline, with over 525 condo units and 600,000 square feet of residential, office, and retail environment.

5

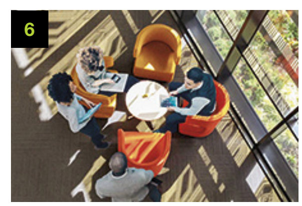


BRIDGELAND EDUCATIONAL VILLAGE

CYPRESS, TX, USA

IBI designed this 128-acre campus for pre-K-12 learning, which serves almost 6,000 students and fosters collaboration across grade levels. It is a comprehensive curriculum school that incorporates Science, Technology, Engineering, and Math (STEM) programming. Its four-storey academic tower, with the central library as its anchor architectural feature, symbolizes the intent of developing lifelong learners.

6



SENSOR CITY

LIVERPOOL, UK

A collaboration between the University of Liverpool and Liverpool John Moores University, Sensor City is a highly adaptable research environment and incubator space for start-ups and Small and Medium-Sized Enterprises (SMEs) developing digital sensor technologies and applications. IBI's design expresses the same degree of ingenuity and collaboration that now occurs inside the facility.

"Central to IBI's new Strategic Plan is a pivot to a technology-driven design firm…"

MESSAGE FROM THE CEO, SCOTT STEWART

In 2017, IBI Group developed a new global Strategic Plan that sets out a path to grow our traditional business and leverage our leadership in technology to create new markets, products, and services.

We reviewed our core markets related to infrastructure, buildings, and intelligence, concluding that **these markets remain strong**, being underpinned by:

- Global infrastructure deficit;
- Urbanization that continues in all major markets;
- Significant population growth in Canada and internationally;
- Availability of low-cost financing for capital investments; and
- Our Intelligence practice, which is unique to Architecture/Engineering (A/E) firms.

An outcome of the Plan is a need to strengthen core practice areas, and to this end we have made strategic hires to add depth and breadth to our leadership in key market areas.

A fundamental consideration of the Plan is the rapid and pervasive impact of technology, which is affecting our clients and their priorities. These advancements are creating new opportunities, and IBI is uniquely qualified to be a leader in this transition. Central to IBI's new Strategic Plan is a pivot to a technology-driven design firm, which consists of four elements:

1. Applying technology and improved processes to everything that IBI does internally and for our clients, from the design tools we use, to our collaboration platforms. This will make us more productive, efficient, and enhance the creative quality of our work.
2. Repurposing our existing software to leverage Software as a Service (SaaS) models, with the associated benefits of expanding our markets, shortening the delivery cycle, improving margins, and enhancing our services to existing clients.
3. Assessing and adopting emerging technologies that affect both our clients' needs and how we deliver our services. These technologies will be pervasive and disruptive, ranging from 5G to blockchain, Artificial Intelligence (AI), and quantum computing. Through early engagement with these technologies we see opportunities to adapt and provide new services.
4. Engaging in the technology ecosystem in our major markets so we are part of the creative process for new technology, ideas, and solutions. IBI brings important qualities to this ecosystem: domain knowledge, channels to market, and proven software platforms; important considerations for start-ups and established technology partners.

IBI is recognized for its design excellence, the quality of its people, and strong relationships with its clients. Our move to become a technology-driven design firm will create a more resilient firm with a solid basis for growth and financial performance, **creating value for all IBI stakeholders,** including staff, clients, and investors.

SCOTT STEWART
CEO

MESSAGE FROM THE PRESIDENT, DAVID THOM

2017 was a good year for IBI Group. We met or exceeded the goals we set and continued growing our core business.

Over the course of the year we introduced new leadership to our Infrastructure and Buildings sectors in the USA. This new team led a restructuring that streamlined operations and improved cross-sector collaboration, positioning us for growth.

The years to come will see the rollout of IBI's new Strategic Plan, a pivot towards a technology-driven design firm. While the most visible part of the pivot will come from initiatives that develop new products and services, our core business will be critical to enable this top-line growth. Our A/E consultancy business, which makes up about 85% of our revenue, provides the financial resources required for investment in the development of new solutions, and is a key route to market for many of these solutions.

Our core business is bolstered by the application of technology – in the way we work and the value-add we produce for our clients. This pivot-to-tech within our core business has already started with a series of initiatives and outcomes, including:

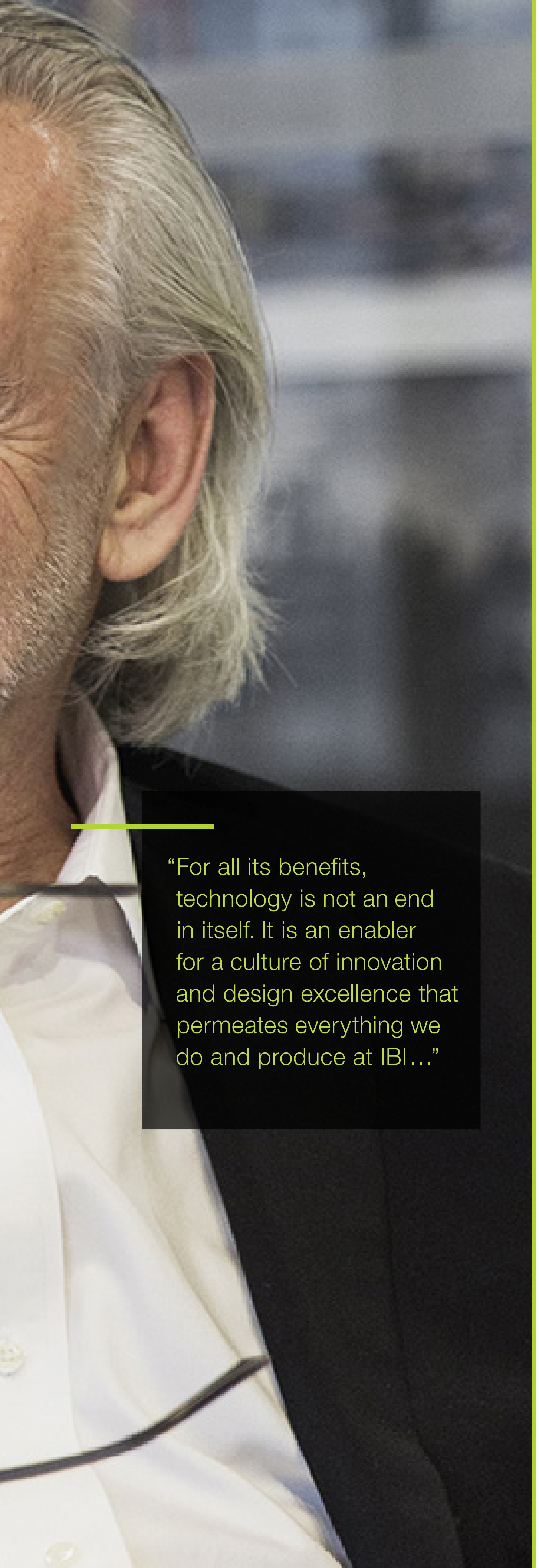
- The comprehensive rollout of building information software, setting us up for the provision of downstream services for our clients such as Asset Management as a Service (AMaaS);
- The application of bots to detect construction conflicts in Building Information Modelling (BIM) models, automating a time-consuming process;
- The launch of a research program targeted to global staff, enabling innovation that pushes the boundaries of all aspects of our business; and
- The continued commitment to immersive technologies – virtual and augmented – supported by an expert technology team.

For all its benefits, technology is not an end in itself. It is an enabler for a culture of innovation and design excellence that permeates everything we do and produce at IBI – the best prospect for a strong core business upon which substantial top-line growth can happen.

2018 will be an important year for IBI and I look forward to the journey that the imagination, creativity, and remarkable capabilities of our exceptional staff, and opportunities posed by our clients, will take us on.

D Thom

DAVID THOM
PRESIDENT



"For all its benefits, technology is not an end in itself. It is an enabler for a culture of innovation and design excellence that permeates everything we do and produce at IBI…"

MESSAGE FROM THE CHAIR OF THE BOARD, DALE RICHMOND

IBI Group's core business in urban markets is not only stable, but it has significant growth prospects due to the ongoing global trends of urbanization and the commensurate demand for infrastructure. These favourable market conditions resulted in strong performance in Canada, the Middle East, India, and Latin America.

Technology continues to drive disruptive change in many key sectors. This disruption is positive, however, as IBI continues to enhance our systems and intelligence expertise to develop new products and services in a technology-driven business environment.

We continued to optimize our operational efficiency in 2017 through the extension of our global Enterprise Resource Planning (ERP) system to every office in the firm. A special quality management task force developed Quality Assurance/Quality Control (QA/QC) processes and controls, as we deepened IBI's commitment to quality outcomes for clients.

IBI appointed two new Board Members in 2017, both with experience in the technology and innovation sectors. The Board, in combination with management, will continue to steward the firm through stable growth in its core business and by leveraging emerging technologies to respond to changing customer needs. This strategy will grow the company and enhance shareholder value.

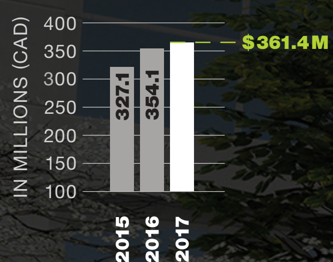
DALE RICHMOND
CHAIR OF THE BOARD

	Growth	Financials	Operations
Goals	**Grow our core business and increase revenue**	**Provide a stable, sustainable financial base**	**Maximize efficiency and effectiveness**
Strategies	**A FOCUSED APPROACH** Focus on major revenue generators, pursue areas that have potential for substantial growth, and concentrate on higher margin services.	**EFFICIENT AND SUSTAINABLE** Continue to improve our financial operations and work on a sustainable and productive long-term relationship with capital markets.	**GLOBAL FIRM, PROFESSIONALLY MANAGED** Consolidate/regionalize services, implement effective internal processes and systems, and improve operational efficiency.

Metrics and Performance

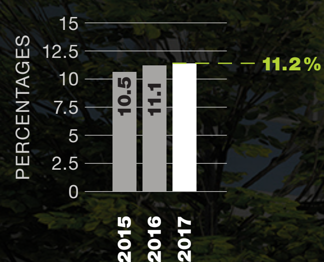
Growth

Increase our top-line revenue consistent with industry norms

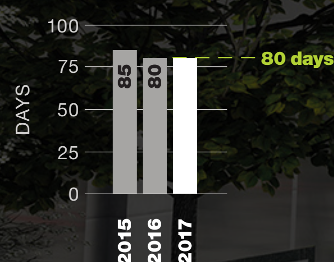


Financials

Achieve an EBITDA consistent with industry norms, which are typically 8–12 %



Reduce Day Sales Outstanding (DSO)



Operations

Increase fee revenue share on projects by leveraging internal expertise, and increase collaboration between offices

2015

- Created practice leader roundtable discussions
- Established task force to enhance cross-border idea-sharing
- Adopted universal design technology
- Launched global, cross-sectoral design competition

2016

- Commissioned task forces on quality management and sustainability, ensuring common, firm-wide standards and approaches
- Adopted a company-wide ERP system

2017

- Hired new senior leaders for our US practice
- Rolled out quality management program with global office champions, supporting ongoing risk management
- Deployed collaborative, cloud-based systems to connect our experts
- Adopted advanced visualization, virtual reality, and model-building tools

Talent

Goals

Nurture and develop our internal pool of talent

Strategies

THOUGHT LEADERSHIP

Encourage a culture of curiosity and innovation, engage, support and mentor staff, and hire the best and brightest.

Metrics and Performance

Reduce voluntary turnover

2015

Voluntary turnover of 11.2 %

2016

Voluntary turnover of 11.1 %

2017

Voluntary turnover of 11.5 %

Increase staff development opportunities

2016

- Executed firm-wide project management and finance 101 training
- 2,300+ course certificates issued by the 'IBIU' internal training program

2017

Implemented global employee referral program to support recruitment

Develop greater diversity among staff

2015

Fostered emerging talent through scholarship and leadership programs

2016

Launched company wellness program and women's leadership network

2017

- Launched Leadership Engagement and Development (LEAD) program to support succession planning strategy
- Launched global mentorship program

Agility

Goals

Increase flexibility, adaptability, and resilience

Strategies

A NETWORKED AND DIVERSIFIED COMPANY

Diversify our regional services, strengthen our cross-sector initiatives, share resources and information, and collaborate across geographies.

Metrics and Performance

Diversify our business to encompass operations and maintenance as well as design consulting

2016

- Developed solutions to manage assets within facilities across multiple sectors
- Operated 511 traveller information system, reaching one in four Americans

2017

Repurposed existing software assets to provide cloud-based, SaaS model to clients in areas like asset management and transportation operations

Increase our Intelligence revenue share in the Buildings and Infrastructure sectors

2015

- Increased Intelligence revenue
- Continued work on new business models

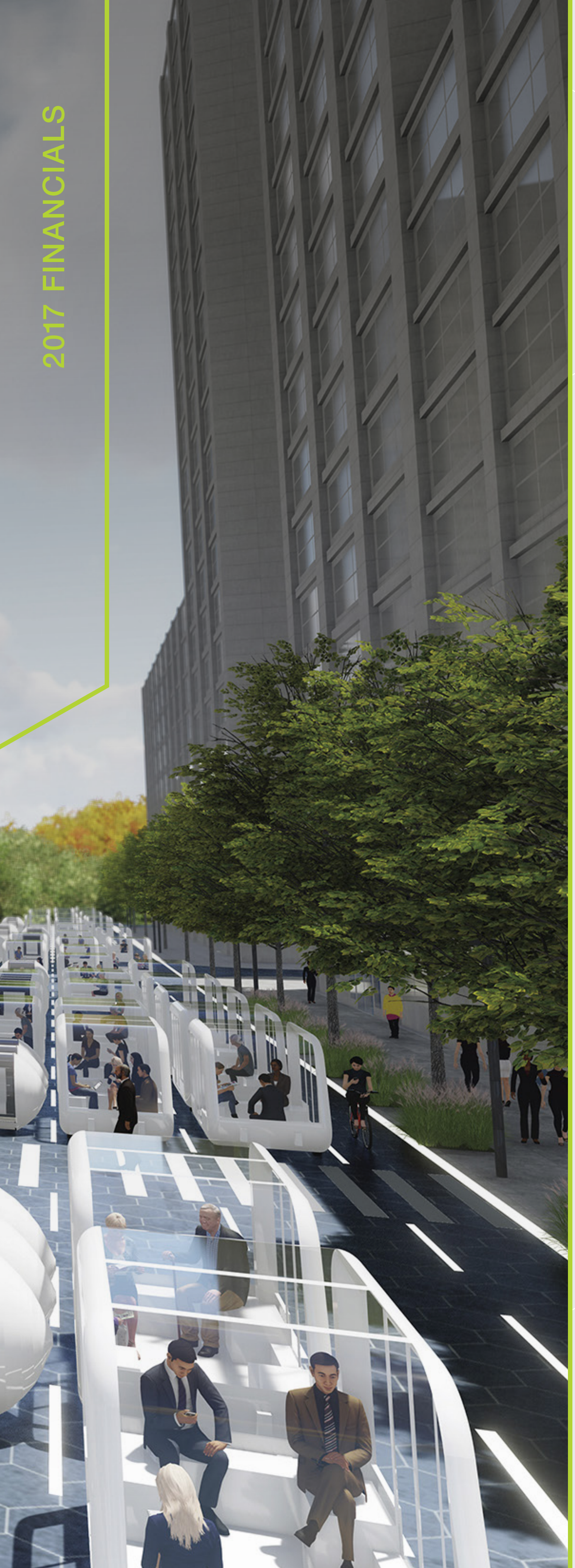
2016

Adopted advanced visualization tools

2017

Developed and piloted BIMbot technology which automates project workflows

2017 FINANCIALS



CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and December 31, 2016, the consolidated statements of comprehensive income, cash flows and changes in equity 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, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
March 8, 2018

IBI GROUP INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Canadian dollars)	NOTES		DECEMBER 31, 2017		DECEMBER 31, 2016
ASSETS					
Current Assets					
Cash	*6*	**$**	**9,833**	$	8,008
Accounts receivable	*6,12*		**111,219**		108,593
Work in process	*5*		**79,040**		87,052
Prepaid expenses and other current assets			**16,446**		12,842
Income taxes recoverable	*9*		**2,324**		507
Total Current Assets		**$**	**218,862**	$	217,002
Restricted cash	*6,12*		**2,936**		4,522
Other assets			**360**		421
Property and equipment	*7*		**15,352**		15,772
Intangible assets	*8*		**7,639**		7,672
Deferred tax assets	*9*		**11,167**		16,421
TOTAL ASSETS		**$**	**256,316**	$	261,810
LIABILITIES AND DEFICIT					
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	*6,12*		**48,782**		55,505
Deferred revenue	*5*		**43,186**		50,522
Income taxes payable	*9*		**1,486**		1,860
Finance lease obligation	*6,12*		**36**		37
Onerous lease provisions			**4,197**		1,018
Total Current Liabilities		**$**	**97,687**	$	108,942
Onerous lease provisions			**1,082**		2,270
Finance lease obligation	*6,12*		**31**		67
Credit facilities	*6*		**63,842**		73,184
Convertible debentures	*6*		**47,157**		43,876
Other financial liabilities	*6*		**13,011**		9,089
Deferred tax liabilities	*9*		**4,525**		4,176
TOTAL LIABILITIES		**$**	**227,335**	$	241,604
EQUITY					
Shareholders' Equity					
Share capital	*11*		**279,679**		279,667
Capital reserve	*11*		**1,362**		453
Contributed surplus	*11*		**7,397**		7,397
Deficit			**(259,886)**		(269,351)
Convertible debentures – equity component	*6*		**561**		561
Accumulated other comprehensive loss			**(7,232)**		(4,304)
Total Shareholders' Equity		**$**	**21,881**	$	14,423
Non-controlling interest	*11*		**7,100**		5,783
TOTAL EQUITY		**$**	**28,981**	$	20,206
TOTAL LIABILITIES AND EQUITY		**$**	**256,316**	$	261,810

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017 *(thousands of Canadian dollars, except per share amounts)*	NOTES	2017	2016
Revenue		$ **361,408**	$ 354,140
Expenses			
Salaries, fees and employee benefits	*10,18*	**255,915**	248,869
Rent	*14*	**25,702**	22,740
Other operating expenses		**39,688**	41,781
Foreign exchange (gain) loss	*12(a)*	**(989)**	7,363
Amortization of intangible assets	*8*	**1,231**	1,002
Depreciation of property and equipment	*7*	**3,229**	4,323
Loss (gain) in fair value of other financial liabilities	*6(b)*	**3,922**	(1,819)
Impairment of financial assets	*12*	**1,680**	1,653
		330,378	325,912
OPERATING INCOME		$ **31,030**	$ 28,228
Interest expense, net	*12,15*	**10,326**	25,553
Other finance costs	*15*	**1,466**	1,642
FINANCE COSTS		$ **11,792**	$ 27,195
Share of loss of equity accounted investee, net of tax	*19*	**348**	32
NET INCOME BEFORE TAX		$ **18,890**	$ 1,001
Current tax expense	*9*	**1,963**	2,908
Deferred tax expense (recovery)	*9*	**5,555**	(5,401)
INCOME TAXES		$ **7,518**	$ (2,493)
NET INCOME		$ **11,372**	$ 3,494
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that are or may be reclassified to profit or loss			
Loss on translating financial statements of foreign operations		**(3,518)**	(105)
OTHER COMPREHENSIVE LOSS		**(3,518)**	(105)
TOTAL COMPREHENSIVE INCOME		$ **7,854**	$ 3,389
NET INCOME ATTRIBUTABLE TO:			
Common shareholders		**9,465**	2,814
Non-controlling interests	*11*	**1,907**	680
NET INCOME		$ **11,372**	$ 3,494
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common shareholders		$ **6,537**	$ 2,730
Non-controlling interests	*11*	**1,317**	659
TOTAL COMPREHENSIVE INCOME		$ **7,854**	$ 3,389
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Basic and diluted earnings per share	*11*	$ **0.30**	$ 0.11

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(thousands of Canadian dollars)	NOTES	2017	2016
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income		**$ 11,372**	$ 3,494
Items not affecting cash:			
Onerous lease provision	*14*	**1,991**	(951)
Depreciation of property and equipment	*7*	**3,229**	4,323
Amortization of intangible assets	*8*	**1,231**	1,002
Amortization of deferred financing costs	*15*	**775**	1,041
Impairment of financial assets	*12*	**1,680**	1,653
Share of loss of equity-accounted investee, net of tax	*19*	**348**	32
Foreign exchange (gain) loss	*12*	**(989)**	7,363
Interest expense, net	*15*	**10,326**	25,553
Deferred tax expense (recovery)	*9*	**5,555**	(5,401)
Stock option expense	*18*	**913**	453
Loss on disposal of property and equipment	*7*	**936**	1,197
Loss (gain) in fair value of other financial liabilities	*6(b)*	**3,922**	(1,819)
Interest paid		**(7,062)**	(8,608)
Income taxes paid		**(3,941)**	(1,449)
Change in non-cash operating working capital	*13*	**(15,147)**	4,164
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**$ 15,139**	**$ 32,047**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Payments on principal of notes payable		**-**	(4,076)
Payments on principal of credit facilities	*6*	**(8,210)**	(1,263)
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)
Deferred financing costs	*6*	**(1,031)**	-
Payments on principal of finance lease obligation		**(37)**	(148)
Proceeds from shares issued	*11*	**8**	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**$ (9,270)**	**$ (23,126)**
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment	*7*	**(3,941)**	(6,726)
Purchase of intangible assets	*8*	**(1,326)**	(2,070)
Increase investment in equity-accounted investee	*19*	**(348)**	-
Restricted cash	*6*	**1,381**	629
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**$ (4,234)**	**$ (8,167)**
Effect of foreign exchange rate fluctuations on cash held	*12*	**190**	(714)
NET INCREASE IN CASH		**$ 1,825**	**$ 40**
Cash, beginning of period		**8,008**	7,968
CASH, END OF PERIOD		**$ 9,833**	$ 8,008

See accompanying notes to the consolidated financial statements.

IBI GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017 *(thousands of Canadian dollars)*	NOTES		2017		2016
SHARE CAPITAL					
Share capital, beginning of period		**$**	**279,667**	$	248,422
Shares issued	*11*		**12**		31,245
SHARE CAPITAL, END OF PERIOD		**$**	**279,679**	$	279,667
CAPITAL RESERVE					
Capital reserve, beginning of period		**$**	**453**	$	-
Stock options granted	*18*		**810**	$	453
Stock options exercised	*18*		**(4)**		-
Performance share units granted	*18*		**103**		-
CAPITAL RESERVE, END OF PERIOD		**$**	**1,362**	$	453
CONTRIBUTED SURPLUS					
Contributed surplus, beginning of period		**$**	**7,397**		3,002
Redemption of 6% debentures			**-**		3,206
Conversion of 7% debentures			**-**		1,189
CONTRIBUTED SURPLUS, END OF PERIOD		**$**	**7,397**	$	7,397
DEFICIT					
Deficit, beginning of period		**$**	**(269,351)**		(272,165)
Net income attributable to common shareholders			**9,465**		2,814
DEFICIT, END OF PERIOD		**$**	**(259,886)**	$	(269,351)
CONVERTIBLE DEBENTURES – EQUITY COMPONENT					
Convertible debentures, beginning of period	*6(b)*		**561**		4,956
Redemption of 6% debentures	*6(b)*		**-**		(3,206)
Conversion of 7% debentures	*6(b)*		**-**		(1,189)
CONVERTIBLE DEBENTURES, END OF PERIOD		**$**	**561**	$	561
ACCUMULATED OTHER COMPREHENSIVE LOSS					
Accumulated other comprehensive loss, beginning of period		**$**	**(4,304)**		(4,220)
Other comprehensive loss attributable to common shareholders			**(2,928)**		(84)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		**$**	**(7,232)**	$	(4,304)
TOTAL SHAREHOLDERS' EQUITY		**$**	**21,881**	$	14,423
NON-CONTROLLING INTEREST					
Non-controlling interest, beginning of period		**$**	**5,783**		5,124
Total comprehensive income attributable to non-controlling interests	*11*		**1,317**		659
NON-CONTROLLING INTEREST, END OF PERIOD		**$**	**7,100**	$	5,783
TOTAL EQUITY, END OF PERIOD		**$**	**28,981**	$	20,206

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, 2017, the Company's common share capital consisted of 31,190,153 (2016 – 31,186,819) 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, 2017 would be 37,472,375 (December 31, 2016 – 37,469,041). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 35.2% of the voting shares as at December 31, 2017 (December 31, 2016 – 37.5%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at December 31, 2017:

	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	6,910,276	18.44%

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	6,282,222	16.77%
Common shares held by the Management Partnership and affiliated partnerships	7,763,329	20.72%

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, 2017:

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, M4V 2Y7.

NOTE 2: BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

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

The consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 8, 2018.

(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 are reclassified to earnings.

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

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

(e) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to exercise 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. 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:

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, 2017 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.

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. 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 AND DEFERRED REVENUE

The Company records its work in process based on the time and materials charged into each project. 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. 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.

REVALUATION OF DERIVATIVE LIABILITY

The Company has recognized a convertible debenture as a hybrid financial instrument which includes a derivative liability component. The derivative liability requires a remeasurement at each reporting period to its fair value. Factors and assumptions which affect the fair value remeasurement of the derivative include the bond market price, risk free interest rate, credit spread and IBI share price.

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 when a CGU's carrying amount exceeds its recoverable amount. The impairment loss is allocated on a pro rata basis to the assets in the CGU.

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

(g) INCOME TAXES

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

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

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

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

(h) SHARE-BASED COMPENSATION

Cash settled transactions

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

Equity settled transactions

Stock options

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. 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.

Performance share units

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. A Monte Carlo valuation model is used to fair value the 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. The vesting and performance conditions are determined by the Board of Directors at the time of each grant.

(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
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 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.

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.

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 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 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 2017

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.

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. With the exception of additional note disclosures made in Note 6, the adoption of these amendments did not 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 Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's financial statements as the Company does not have any debt instruments measured at fair value through profit and loss.

(b) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED

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– *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 will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a project plan to determine the impact of the standard. The first phase was to review contracts in the different practice areas that may be impacted by the adoption of this standard given contracting practices. The second phase of the project plan involved review of contracts where the terms and conditions of the contract may impact the timing of the revenue recognized under the new standard. In 2015, the Company standardized its contract template to include terms and conditions that considered the criteria set out to recognize revenue in accordance with IFRS 15. The third and final phase of the project plan involves finalizing the assessment and quantifying the impacts to revenue recognized on contracts in accordance with IFRS 15.

Management's assessment determined that the standardization of contracts in 2015 and the implementation of key system functionalities in 2016, streamlined the review of financial information for contracts entered into in 2015 and beyond. It was concluded that the revenue recognized on these contracts will not result in a significant change.

The guidance permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospectively with mixed requirements in the prior reporting period (partial retrospective). The Company plans to adopt the standard using the full retrospective method to restate each prior reporting period presented.

The extent of the impact of adoption of the standard on the amounts and timing of revenue recognized is estimated to be a decrease in the range of $10 million - $15 million. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

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 will adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has adopted a transition plan and timeline to review the impact of the standard. Accounts Receivable and Work in Progress will be called Contract Assets under the new standard. Based on preliminary scoping, the Company expects the standard to have an immaterial impact on loss provisions against Accounts Receivable and Work in Progress.

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 Company has established a transition plan to collect the necessary information on all of the operating leases in the spring of 2018 to begin the process to quantify the impact of adopting the standard. The Company will evaluate the transition elections at that time. The extent of the impact of adoption of the interpretation 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 will adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. Currently, the Company's share based awards are all equity settled awards and do not contain cash-settled share-based payment features. To the extent an award is offered in the future with such features, the Company will evaluate the effect of these changes.

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 Company does not expect the Interpretation to have a material impact on the financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the interpretation has not yet been determined.

Annual Improvements to IFRS (2014 - 2016) Cycles

On December 8, 2016, the IASB issued narrow-scope amendments to three 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 will adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements to IFRS (2015-2017) Cycles

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and

IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

NOTE 5: SEGMENT INFORMATION

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

(a) OPERATING SEGMENTS

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

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

(b) GEOGRAPHIC SEGMENTS

The following table demonstrates certain consolidated statement of financial position information line items segmented geographically as at December 31, 2017, with comparatives as at December 31, 2016:

	AS AT DECEMBER 31, 2017			
	CANADA	U.S.	INTERNATIONAL	TOTAL
Property and equipment	$ 10,557	2,969	$ 1,826	$ 15,352
Intangible assets	5,285	1,901	453	7,639
Work in process, net	36,394	16,078	26,568	79,040
Deferred revenue	25,023	8,320	9,843	43,186
Total assets	123,529	56,606	76,181	256,316

	AS AT DECEMBER 31, 2016			
	CANADA	U.S.	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, 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

The following table demonstrates certain information contained in the consolidated statement of comprehensive income segmented geographically for the year ended December 31, 2017, with comparatives for the year ended December 31, 2016. The unallocated amounts pertain to interest on convertible debentures.

	YEAR ENDED DECEMBER 31, 2017				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	INTERNATIONAL	TOTAL
Revenues	$ -	$ 201,770	$ 109,470	$ 50,168	$ 361,408
Net income (loss) before tax	$ (10,776)	$ 24,262	$ 346	$ 5,058	$ 18,890
Foreign exchange (gain) loss	-	(1,646)	(410)	1,067	(989)
Net income (loss) before tax and foreign exchange	$ (10,776)	$ 22,616	$ (64)	$ 6,125	$ 17,901

	YEAR ENDED DECEMBER 31, 2016				
	UNALLOCATED CORPORATE COSTS	CANADA	U.S.	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

NOTE 6: FINANCIAL INSTRUMENTS

(a) INDEBTEDNESS

On June 30, 2017, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a $130,000 revolver facility, of which a maximum of $10,000 is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at December 31, 2017, the interest rate on Canadian dollar borrowings was 4.45% (December 31, 2016 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 2016 – 6.25%). The terms of the amended and restated credit facilities exclude the requirement to maintain a segregated cash collateral account ("Sinking Fund"). As a result of this amendment the balance of the Sinking Fund, $1,381, has been reclassified from Restricted Cash to Cash. Under the previous agreement, the Company was required to make additional deposits each quarter to the Sinking Fund for pre-defined amounts, these deposits are no longer required.

As at December 31, 2017, IBI Group has borrowings of $65,651 (December 31, 2016 - $74,737) under the credit facilities, which has been recognized net of deferred financing costs of $1,809 (December 31, 2016 - $1,553). As at December 31, 2017, IBI Group has letters of credit outstanding of $6,538 (December 31, 2016 - $8,034), of which $6,021 (December 31, 2016 - $5,816) is issued under a $30,000 facility which matures on June 30, 2018 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2017, $65,651 (December 31, 2016 - $32,117) was outstanding under Bankers' Acceptance.

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2017.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, and reducing costs. 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.

	YEAR ENDED DECEMBER 31,	
	2017	**2016**
Balance at January 1	73,184	72,277
Draws on credit facilities	-	81,117
Payments on principal of credit facilities	(8,210)	(82,380)
Deferred financing capitalization	(1,031)	-
Amortization of deferred financing costs	775	1,041
Impact of foreign exchange	(876)	1,129
Balance at December 31	63,842	73,184

(b) CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at December 31, 2017 and December 31, 2016.

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures (matures on June 30, 2019)				
Balance at January 1, 2016	29,618	1,750	-	31,368
Accretion of 7.0% Debentures	12,486	-	-	12,486
Redemption of 7.0% Debentures	(31,245)	(1,189)	-	(32,434)
Balance at January 1, 2017	10,859	561	-	11,420
Accretion of 7.0% Debentures	1,323	-	-	1,323
Balance at December 31, 2017	12,182	561	-	12,743
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2016	-	-	-	-
Issuance of 5.5% Debentures	32,498	-	10,908	43,406
Accretion of 5.5% Debentures	519	-	-	519
Gain in fair value of other financial liabilities	-	-	(1,819)	(1,819)
Balance at January 1, 2017	33,017	-	9,089	42,106
Accretion of 5.5% Debentures	1,958	-	-	1,958
Loss in fair value of other financial liabilities	-	-	3,922	3,922
Balance at December 31, 2017	34,975	-	13,011	47,986
BALANCE, DECEMBER 31, 2017	$ 47,157	$ 561	$ 13,011	$ 60,729

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, matured 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 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 $15,197 (December 31, 2016 - $15,043) 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.

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 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, 2017, the fair value of the derivative component was $13,011 (December 31, 2016 - $9,089).

The fair value of the convertible debentures as at December 31, 2017, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
5.5% Debentures	$ 34,975	$ 51,175
7.0% Debentures	12,182	15,198
BALANCE, DECEMBER 31, 2017	$ 47,157	$ 66,373

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
7.0% Debentures	10,859	15,043
BALANCE, DECEMBER 31, 2016	$ 43,876	$ 61,963

(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, 2017 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL
FINANCIAL ASSETS				
Cash	$ 9,833	$ -	$ -	$ 9,833
Restricted cash	2,936	-	-	2,936
Accounts receivable	-	111,219	-	111,219
TOTAL	$ 12,769	$ 111,219	$ -	$ 123,988
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	$ -	$ -	$ 45,934	$ 45,934
Deferred share plan liability(1)	2,848	-	-	2,848
Finance lease obligation	-	-	67	67
Credit facilities	-	-	63,842	63,842
Convertible debentures	-	-	47,157	47,157
Other Financial Liabilities	13,011	-	-	13,011
TOTAL	$ 15,859	$ -	$ 157,000	$ 172,859

(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, 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	$ 53,145
Deferred share plan liability(1)	2,360	-	-	2,360
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	$ 181,758

(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, 2017 and December 31, 2016:

	AS AT DECEMBER 31, 2017		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	$ 9,833	$ -	$ -
Restricted cash	2,936	-	-
Deferred share plan liability(1)	-	(2,848)	-
Other Financial Liabilities	-	(13,011)	-
	$ 12,769	$ (15,859)	$ -

	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)	$ -

NOTE 7: PROPERTY AND EQUIPMENT

The following table presents the Company's property and equipment as at December 31, 2017 and December 31, 2016:

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
COST					
January 1, 2016	$ 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
Additions	328	1,492	326	1,795	3,941
Disposals	(390)	(398)	(299)	(904)	(1,991)
Write off of fully amortized assets	(272)	(744)	-	(639)	(1,655)
Foreign currency translation gain / (loss)	(241)	(333)	7	(93)	(660)
DECEMBER 31, 2017	$ 11,900	$ 18,504	$ 426	$ 15,793	$ 46,623

	OFFICE FURNITURE AND EQUIPMENT	COMPUTER EQUIPMENT	VEHICLES	LEASEHOLDS	TOTAL
ACCUMULATED DEPRECIATION					
January 1, 2016	$ 6,856	$ 14,914	$ 170	$ 6,631	$ 28,571
Depreciation from continuing operations	1,211	1,962	72	1,078	4,323
Disposals	(130)	(54)	-	(132)	(316)
Write off of fully amortized	(32)	(188)	-	(216)	(436)
Foreign currency translation (gain)	(290)	(449)	(27)	(160)	(926)
December 31, 2016	$ 7,615	$ 16,185	$ 215	$ 7,201	$ 31,216
Depreciation from continuing operations	552	1,510	61	1,106	3,229
Disposals	(336)	(203)	(40)	(476)	(1,055)
Write off of fully	(272)	(744)	-	(639)	(1,655)
Foreign currency translation loss / (gain)	(117)	(299)	2	(50)	(464)
DECEMBER 31, 2017	$ 7,442	$ 16,449	$ 238	$ 7,142	$ 31,271
NET CARRYING AMOUNT					
DECEMBER 31, 2016	$ 4,860	$ 2,302	$ 177	$ 8,433	$ 15,772
DECEMBER 31, 2017	$ 4,458	$ 2,055	$ 188	$ 8,651	$ 15,352

Loss on disposal of property and equipment of $936 as at December 31, 2017 (December 31, 2016 - $1,197) is reflected in other operating expenses on the Statement of Comprehensive Income.

NOTE 8: INTANGIBLE ASSETS

The following table presents the Company's intangible assets as at December 31, 2017 and December 31, 2016:

	ERP SYSTEM	CLIENT RELATIONSHIPS	OTHER	TOTAL
COST				
Balance at January 1, 2016	$ 2,765	$ 5,368	$ 831	$ 8,964
Additions	1,757	-	313	2,070
Foreign exchange translation gain	-	(332)	(26)	(358)
December 31, 2016	$ 4,522	$ 5,036	$ 1,118	$ 10,676
Additions	1,010	-	316	1,326
Foreign exchange translation loss	-	(250)	-	(250)
DECEMBER 31, 2017	$ 5,532	$ 4,786	$ 1,434	$ 11,752

	ERP SYSTEM	CLIENT RELATIONSHIPS	OTHER	TOTAL
ACCUMULATED AMORTIZATION				
Balance at January 1, 2016	$ -	$ 1,416	$ 657	$ 2,073
Amortization	227	600	175	1,002
Foreign exchange translation gain	-	(53)	(18)	(71)
December 31, 2016	$ 227	$ 1,963	$ 814	$ 3,004
Amortization	604	582	45	1,231
Foreign exchange translation gain	-	(122)	-	(122)
DECEMBER 31, 2017	$ 831	$ 2,423	$ 859	$ 4,113
NET CARRYING AMOUNT				
DECEMBER 31, 2016	$ 4,295	$ 3,073	$ 304	$ 7,672
DECEMBER 31, 2017	$ 4,701	$ 2,363	$ 575	$ 7,639

NOTE 9: INCOME TAXES

The major components of income tax expense include the following:

	YEAR ENDED DECEMBER 31, 2017	2016
CURRENT TAX EXPENSE		
Current period	$ 1,672	$ 2,904
Provision to file / withholding taxes	291	4
	1,963	2,908
DEFERRED TAX EXPENSE / (RECOVERY)		
Origination and reversal of temporary differences	5,078	(3,037)
Impact of US Tax Reform	1,430	-
Change in tax rates	(215)	64
Adjustment for prior periods	(655)	(54)
Change in unrecognized deductible temporary differences	(83)	(2,374)
	5,555	(5,401)
TOTAL TAX EXPENSE / (RECOVERY)	$ 7,518	$ (2,493)

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, 2017	2016
Net income	$ 11,372	$ 3,494
Total tax expense / (recovery)	7,518	(2,493)
Net income before tax	$ 18,890	$ 1,001
Income tax using the Company's domestic tax rate	$ 5,006	$ 265
Income tax effect of:		
Non-deductible expenses	2,450	1,113
Change in deferred tax rates	(215)	64
Impact of US tax reform	1,430	-
Operating in jurisdictions with different tax rates	267	1,082
Change in unrecognized temporary differences	(83)	(2,374)
Prior period adjustments to current tax	(5)	(14)
Prior period adjustments to deferred tax	(655)	(54)
Withholding taxes	285	139
Recognition of previously unrecognized deferred tax asset	(867)	(2,972)
Other	(95)	258
INCOME TAX EXPENSE / (RECOVERY)	$ 7,518	$ (2,493)

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%).

The increase in the effective tax rate was primarily a result of non-deductible expenses arising from an increase of $1,040 due to accounting loss on revaluation of a financial instrument, and an increase of $410 due to accretion expense and a decrease of $867 due to the U.S operations recognizing previously unrecognized deferred tax assets. In addition, the US tax reform also had an impact of $1,430 as deferred tax assets set up on December 31, 2016 were revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

UNRECOGNIZED DEFERRED TAX LIABILITIES

As at December 31, 2017, the Company has approximately $17,736 (December 31, 2016 - $16,089) 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, 2017	2016
Deductible temporary differences	$ 6,983	$ 6,658
Tax losses – Federal	2,746	3,293
Tax losses – State	34,520	35,707
	$ 44,249	$ 45,658

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

	YEAR ENDED DECEMBER 31, 2017	2016
Deductible temporary differences	$ 1,572	$ 2,525
Tax losses – Federal	590	1,107
Tax losses – State	1,955	1,571
	$ 4,117	$ 5,203

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, 2017, the Company's affiliated entities have $30,369 of Federal and $34,520 of U.S State operating loss carry forwards (December 31, 2016 - $45,292 and $35,707 respectively) available for income tax purposes, which expire in the years 2022 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, 2017 and December 31, 2016 are presented below:

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	YEAR ENDED DECEMBER 31, 2017		
	ASSETS	LIABILITIES	TOTAL
Property and equipment	$ 1,071	$ (866)	$ 205
Non-capital loss	6,211	-	6,211
Reserves	667	(3,448)	(2,781)
Financing costs	259	-	259
Intangible assets	2,902	(141)	2,761
Other	57	(70)	(13)
	$ 11,167	$ (4,525)	$ 6,642

	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

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, 2017 was $12,726 (2016 - $15,486). As at December 31, 2017, there were 60 partners (December 31, 2016 – 64 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, 2017 and 2016, 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, 2017	YEAR ENDED DECEMBER 31, 2016
Directors fees, salaries and other short-term employee benefits	$ 3,692	$ 3,076
Share–based compensation	1,178	840
Total compensation	$ 4,870	$ 3,916

NOTE 11: EQUITY

(a) SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2017, the Company's common share capital consisted of 31,190,153 shares issued and outstanding (December 31, 2016 – 31,186,819 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, 2017, the units issued on such exchange would have represented a 16.77% 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, 2017 and 2016.

SHARE ISSUANCES

2017

- During the year ended December 31, 2017, the Company issued 3,334 common shares as a result of an exercise of stock options granted in January 2016.

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.

EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Net income	$ 11,372	$ 3,494
Net income attributable to owners of the Company	$ 9,465	$ 2,814
Weighted average common shares outstanding	31,190	26,020
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	385	193
Diluted weighted average common shares outstanding	37,857	32,495
Basic and diluted earnings per common share	$ 0.30	$ 0.11

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

(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 income and total comprehensive income attributable to non-controlling interest is set out below:

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Net income	$ 11,372	$ 3,494
Non-controlling interest share of ownership(1)	16.77%	19.45%
Net income attributable to non-controlling interest	$ 1,907	$ 680

(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, 2017 was used.

		YEAR ENDED DECEMBER 31,		
		2017		2016
Total comprehensive income	$	7,854	$	3,389
Non-controlling interest share of ownership[1]		16.77%		19.45%
Total comprehensive income attributable to non-controlling interest	$	1,317	$	659

(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, 2017 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 and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

(a) MARKET RISK

INTEREST RATE RISK

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

If the interest rate on the Company's variable rate loan balance as at December 31, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2017 would have decreased or increased by approximately $241.

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower during the year ended and as at December 31, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by $179 for the year ended December 31, 2017. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2017, with all other variables held constant, net income would have increased or decreased by $41 for the year ended December 31, 2017.

(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, 2017, there were 62 working days of revenue in accounts receivable, compared to 60 days at December 31, 2016. 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, 2017	AS AT DECEMBER 31, 2016
Current	$ 42,780	$ 46,057
30 to 90 days	38,405	29,315
Over 90 days	39,316	43,097
Gross accounts receivable	120,501	118,469
Allowance for impairment losses	(9,282)	(9,876)
TOTAL	$ 111,219	$ 108,593

(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 June 30, 2017, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to Note 6 – Financial Instruments).

As at December 31, 2017, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300, which is equal to CAD $2,936 (December 31, 2016 – CAD $3,141). The Company has pledged U.S $2,300 (December 31, 2016 - $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, 2017:

	YEARS ENDED DECEMBER 31 2017				
	CARRYING AMOUNT	2018	2019 AND 2020	2021 AND 2022	2023 AND BEYOND
Accounts payable and accrued liabilities	$ 48,783	$ 48,783	$ -	$ -	$ -
Credit facilities	63,842	-	-	65,651	-
Interest on credit facilities	-	3,085	6,169	1,542	-
Convertible debentures	47,157	-	14,755	46,000	-
Interest on convertible debentures	-	3,563	5,576	2,530	-
Finance lease obligation	67	36	31	-	-
Total obligations	$ 159,849	$ 55,467	$ 26,531	$ 115,723	$ -

(d) CAPITAL MANAGEMENT

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

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

The Company has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. The Company was in compliance with all financial covenants as at December 31, 2017.

(e) FAIR VALUE MEASUREMENTS

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

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

[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.

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, 2017 and December 31, 2016.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Accounts receivable	$ (5,966)	$ (1,825)
Work in process	6,672	(9,457)
Prepaid expenses and other assets	(3,041)	(1,610)
Accounts payable and accrued liabilities	(5,125)	2,383
Deferred revenue	(5,866)	13,036
Net income taxes payable	(1,821)	1,637
Change in non-cash operating working capital	$ (15,147)	$ 4,164

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.

2018	$ 23,820
2019	$ 33,370
2020	$ 15,146
2021	$ 14,521
2022	$ 13,084
Thereafter	$ 41,276

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.

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

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Lease expense	$ 25,809	$ 25,148
Onerous lease provision	1,991	(951)
Sublease income	(2,098)	(1,457)
Total rent expense	$ 25,702	$ 22,740

NOTE 15: FINANCE COSTS

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Interest on credit facilities	$ 3,149	$ 3,057
Interest on convertible debentures	3,563	5,872
Interest on consent fee notes payable	-	255
Non-cash accretion of convertible debentures	3,281	15,403
Non-cash accretion of consent fee notes payable	-	479
Other	333	487
INTEREST EXPENSE	**$ 10,326**	**$ 25,553**
Amortization of deferred financing costs	775	1,041
Other	691	601
OTHER FINANCE COSTS	**$ 1,466**	**$ 1,642**
FINANCE COSTS	**$ 11,792**	**$ 27,195**

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 $2,848. Directors can only redeem their DSPs for shares when they leave the Board.

During the year ended December 31, 2017, the Company granted 70,278 deferred shares (December 31, 2016 – 73,764) and redeemed 123,641 deferred shares (December 31, 2016 – nil), for a total of 349,403 deferred shares outstanding as at December 31, 2017 (December 31, 2016 – 402,766). Compensation expense for the year ended December 31, 2017 related to the deferred shares was $1,333 (December 31, 2016 – $1,633). 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, 2017:

	DEFERRED SHARES	FAIR VALUE
Balance, January 1, 2017	402,766	$ 2,360
Deferred shares issued	70,278	505
Deferred shares redeemed	(123,641)	(846)
Change in fair value due to share price	-	828
BALANCE, DECEMBER 31, 2017	349,403	2,847

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

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 Fair Value Through Profit and Loss (“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 income and comprehensive income. During the year ended December 31, 2017 an expense of $505 was recognized (December 31, 2016 - $384) due to market movement in the share price. On May 11, 2017, two members of the Board of Directors settled 123,641 deferred share units for $846 upon their resignation.

EQUITY SETTLED TRANSACTIONS

Stock options

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

Under the terms of the Company’s stock option plan, the options vest evenly over a three year period on each of the first, second and third anniversary dates of the grant, expire on the tenth anniversary of the date of the grant, and are measured using the Black-Scholes model.

The following inputs were used in the measurement of the fair values at the grant date of the options:

Grant date	Options issued	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility (weighted average)	Expected life (weighted average)	Expected dividends	Risk-free interest rate
January 15, 2016								
Tranche 1	178,333	$ 1.14	$ 2.13	$ 2.33	64.2%	5.5 years	0%	0.64%
Tranche 2	178,333	$ 1.16	$ 2.13	$ 2.33	62.1%	6.0 years	0%	0.72%
Tranche 3	178,334	$ 1.17	$ 2.13	$ 2.33	60.2%	6.5 years	0%	0.81%
	535,000							
May 25, 2016								
Tranche 1	33,071	$ 2.63	$ 4.53	$ 4.49	66.9%	5.5 years	0%	0.86%
Tranche 2	33,071	$ 2.63	$ 4.53	$ 4.49	64.3%	6.0 years	0%	0.92%
Tranche 3	33,071	$ 2.67	$ 4.53	$ 4.49	62.3%	6.5 years	0%	0.99%
	99,213							
May 12, 2017								
Tranche 1	23,036	$ 4.31	$ 7.30	$ 7.01	67.1%	5.5 years	0%	1.07%
Tranche 2	23,036	$ 4.36	$ 7.30	$ 7.01	65.1%	6.0 years	0%	1.14%
Tranche 3	23,035	$ 4.39	$ 7.30	$ 7.01	62.8%	6.5 years	0%	1.20%
	69,107							
July 17, 2017								
Tranche 1	105,500	$ 3.88	$ 6.63	$ 6.63	67.0%	5.5 years	0%	1.55%
Tranche 2	105,500	$ 3.95	$ 6.63	$ 6.63	65.2%	6.0 years	0%	1.60%
Tranche 3	105,500	$ 3.97	$ 6.63	$ 6.63	62.8%	6.5 years	0%	1.64%
	316,500							
August 9, 2017								
Tranche 1	25,772	$ 3.97	$ 6.77	$ 6.79	67.0%	5.5 years	0%	1.57%
Tranche 2	25,772	$ 4.02	$ 6.77	$ 6.79	65.0%	6.0 years	0%	1.61%
Tranche 3	25,771	$ 4.05	$ 6.77	$ 6.79	62.8%	6.5 years	0%	1.66%
	77,315							

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, 2017, the Company has recognized an expense of $810 (December 31, 2016 – $453) in salaries, fees and employee benefits for stock options in the consolidated statement of income and comprehensive income.

The following stock option arrangements were in existence as at December 31, 2017:

Grant date	Expiry date	Options issued	Options exercised	Options cancelled/ forfeited	Options outstanding	Options exercisable	Exercise price	Fair value at grant date
15-Jan-16	15-Jan-26	535,000	3,334	15,000	516,666	174,999	$ 2.33	$ 618,816
25-May-16	25-May-26	99,213	-	-	99,213	33,071	$ 4.49	$ 262,253
16-May-17	16-May-27	69,107	-	-	69,107	-	$ 7.01	$ 300,846
17-Jul-17	17-Jul-27	316,500	-	-	316,500	-	$ 6.63	$ 1,245,954
9-Aug-17	9-Aug-27	77,315	-	-	77,315	-	$ 6.79	$ 310,550
		1,097,135	3,334	15,000	1,078,801	208,070		$ 2,738,419

Performance share units

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

The Company has recognized an expense of $103 for the year ended December 31, 2017 (December 31, 2016 - $nil), in salaries, fees and employee benefits for PSUs in the consolidated statement of income and comprehensive income.

NOTE 19: 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.

For the year ended December 31, 2017, the Company made an additional cash investment in China of $348 (December 31, 2016 - $Nil), and has recognized its share of the losses on the investment of $348 (December 31, 2016 - $32).

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

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, 2017 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2017, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2017 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 33 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, 2017. 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, 2018.

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 $366 million in total revenue for the year ended December 31, 2018. 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 2018. 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, 2017).

The Company bases its view of industry performance on:

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

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

[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,	
	2017 *(unaudited)*	**2016** *(unaudited)*	**2017**	**2016**
Number of working days *(unaudited)*	**62**	63	**253**	251
Revenue	**$ 86,886**	$ 86,841	**$ 361,408**	$ 354,140
Net income (loss)	**$ (2,891)**	$ 7,594	**$ 11,372**	$ 3,494
Cash flows provided by operating activities	**$ 3,305**	$ 17,247	**$ 15,139**	$ 32,047
Basic and diluted earnings (loss) per share	**$ (0.08)**	$ 0.24	**$ 0.30**	$ 0.11
Adjusted EBITDA[1] *(unaudited)*	**$ 7,643**	$ 7,480	**$ 40,615**	$ 39,247
Adjusted EBITDA[1] as a percentage of revenue *(unaudited)*	**8.8%**	8.6%	**11.2%**	11.1%

1- See “Definition of Non-IFRS Measures”.

OVERVIEW

KEY EVENTS

- Revenue increased to \$86.9 million for the three months ended December 31, 2017 compared to \$86.8 million for the same period in 2016, which reflects an increase of \$0.1 million or 0.1%. Revenue increased to \$361.4 million for the year ended December 31, 2017 compared to \$354.1 million for the same period in 2016, which reflects an increase of \$7.3 million or 2.1%.
- Adjusted EBITDA[1] increased to \$7.6 million (or 8.8% of revenue) for the three months ended December 31, 2017 compared to \$7.5 million (or 8.6% of revenue) for the same period in 2016, which reflects an increase of \$0.1 million or 1.3%. Adjusted EBITDA increased to \$40.6 million (or 11.2% of revenue) for the year ended December 31, 2017 compared to \$39.2 million (or 11.1% of revenue) for the same period in 2016, which reflects an increase of \$1.4 million or 3.6%. The increase in Adjusted EBITDA[1] is a result of stronger operating performance.
- Days sales outstanding was 80 days as at December 31, 2017 and 2016.
- Interest expense decreased to \$2.6 million for the three months ended December 31, 2017 compared with \$3.1 million for the same period in 2016, and decreased to \$10.3 million for the year ended December 31, 2017 compared with \$25.6 million for the same period in 2016 as a result of the redemption of Convertible Debentures in October 2016.
- The Company renegotiated the sub-lease agreement for one of its office spaces, which resulted in an increase to the onerous lease provision to \$5.3 million (December 31, 2016 - \$3.3 million) and an increase to rent expense of \$3.0 million during the quarter. This and other factors, including the loss from the fair value of the derivative liability of \$2.0 million and the change in the US tax rate on previously recognized deferred tax assets of \$1.4 million, reduced net earnings for the three months ended December 31, 2017, but had no impact to adjusted EBITDA[1]. The impact is a reduction in basic and diluted earnings per share in the quarter of \$0.17.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended December 31, 2017 was \$86.9 million, compared with \$86.8 million in the same period in 2016, an increase of 0.1%. Revenue for the year ended December 31, 2017 was \$361.4 million, compared with \$354.1 million for the same period in 2016, an increase of 2.1%. The increase in revenue is due to growth in the Canadian geographical segment, including continuing work on significant transit projects.

For the three months ended December 31, 2017, the Company had net losses of \$2.9 million compared with net income of \$7.6 million for the same period in 2016. Net losses for the three months ended December 31, 2017 is inclusive of foreign exchange losses of \$0.3 million, compared with foreign exchange gains of \$1.2 million for the same period in 2016. The foreign exchange loss during the three months ended December 31, 2017 reflects the negative trend in the Canadian dollar currency, as the Canadian dollar weakened against the U.S. dollar and British pound compared with the same period in 2016. During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company

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

receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

Basic and diluted loss per share was $0.08 per share for the three months ended December 31, 2017, compared to a basic and diluted earnings per share of $0.24 per share for the same period in 2016. Basic and diluted earnings per share decreased primarily due to the decrease in net income of $10.5 million, which is due to the $3.7 million increase in losses from the change in the fair value of the derivative liability and $3.0 million increase in rent expense due to the renegotiation of the sublease associated with the onerous lease. Net income was further reduced due to the $3.3 million increase in tax expenses as a result of reduced availability of tax losses, particularly in the Canadian business.

For the year ended December 31, 2017, the Company had net income of $11.4 million compared with net income of $3.5 million for the same period in 2016. Net income for the year ended December 31, 2017 is inclusive of foreign exchange gains of $1.0 million, compared with foreign exchange losses of $7.4 million for the same period in 2016. The foreign exchange gain for the year ended December 31, 2017 reflects the positive trend in the Canadian dollar currency, as the Canadian dollar strengthened against the U.S. dollar and British pound compared to the same period in 2016. During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

Basic and diluted earnings per share were $0.30 per share for the year ended December 31, 2017, compared to basic and diluted earnings per share of $0.11 for the same period in 2016. Basic and diluted earnings per share increased primarily due to the increase in net income of $7.9 million, which is due to the $15.2 million decrease in interest expense, offset by the $10.0 million increase in income tax expense. The decrease in interest expense is a result of decreased interest and accretion on debentures after the redemption of the 7% and 6% Convertible Debentures in 2016. The increase in tax expense is a result of reduced availability of tax losses, particularly in the Canadian business.

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,	
		2017	2016	2017	2016
(thousands of Canadian dollars, except per share amounts)		*(unaudited)*	*(unaudited)*		
Revenue	$	86,886 $	86,841 $	361,408 $	354,140
Expenses					
Salaries, fees and employee benefits		63,903	61,914	255,915	248,869
Rent		8,550	5,947	25,702	22,740
Other operating expenses		9,873	10,502	39,688	41,781
Foreign exchange (gain) loss		256	(1,215)	(989)	7,363
Amortization of intangible assets		333	293	1,231	1,002
Depreciation of property and equipment		164	1,168	3,229	4,323
Loss (gain) in fair value of other financial liabilities		1,953	(1,819)	3,922	(1,819)
Impairment of financial assets		148	558	1,680	1,653
		85,180	77,348	330,378	325,912
OPERATING INCOME	$	1,706 $	9,493 $	31,030 $	28,228
Interest expense, net		2,602	3,064	10,326	25,553
Other finance costs		259	414	1,466	1,642
FINANCE COSTS	$	2,861 $	3,478 $	11,792 $	27,195
Share of loss of equity accounted investee, net of tax		(0)	-	348	32
NET INCOME (LOSS) BEFORE TAX	$	(1,155)$	6,015 $	18,890 $	1,001
Current tax expense		959	1,147	1,963	2,908
Deferred tax expense (recovery)		777	(2,727)	5,555	(5,401)
INCOME TAX EXPENSE (RECOVERY)	$	1,736 $	(1,580)$	7,518 $	(2,493)
NET INCOME (LOSS)	$	(2,891)$	7,595 $	11,372 $	3,494
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are or may be reclassified to profit or loss					
Gain (loss) on translating financial statements of foreign operations, from continuing operations, net of tax		1,051	(1,265)	(3,518)	(105)
OTHER COMPREHENSIVE INCOME (LOSS)		1,051	(1,265)	(3,518)	(105)
TOTAL COMPREHENSIVE INCOME (LOSS)	$	(1,840)$	6,330 $	7,854 $	3,389
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		(2,407)	6,090	9,465	2,814
Non-controlling interests		(484)	1,505	1,907	680
NET INCOME (LOSS)	$	(2,891)$	7,595 $	11,372 $	3,494
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		(1,532)	5,080	6,537	2,730
Non-controlling interests		(308)	1,250	1,317	659
TOTAL COMPREHENSIVE INCOME (LOSS)	$	(1,840)$	6,330 $	7,854 $	3,389
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic and diluted earnings (loss) per share	$	(0.08)$	0.24 $	0.30 $	0.11

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, 2017 remained consistent when compared to the same period in 2016.

Revenue for the year ended December 31, 2017 increased by $7.3 million or 2.1% compared to the same period in 2016. The increase in revenue is due to growth in the Canadian Geographical segment, including continuing work on significant transit projects.

The impact of foreign exchange on revenue for the three months ended December 31, 2017 was a decrease in revenue of $1.8 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease in revenue of $3.9 million when compared to the same period in 2016.

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

(unaudited)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016
Number of working days	62	64	63	63	63	63	64	62

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2017 was $63.9 million compared with $61.9 million in the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the three months ended December 31, 2017 was 73.5% compared to 71.3% for the same period in 2016, which is consistent with the budgeted compensation target of 70% of revenue.

Salaries, fees and employee benefits for the year ended December 31, 2017 was $255.9 million, compared with $248.9 million for the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the year ended December 31, 2017 was 70.8% compared to 70.3% for the same period in 2016, which is consistent with the budgeted compensation target of 70% of revenue.

The impact of foreign exchange on salaries, fees and employee benefits for three months ended December 31, 2017 was a decrease in expense of $1.4 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease in expense of $2.9 million compared with the same period in 2016.

iii) RENT

Rent for the three months ended December 31, 2017 was $8.6 million compared with $5.9 million in the same period in 2016. Rent for the year ended December 31, 2017 was $25.7 million, compared with $22.7 million for the same period in 2016. The increase in rent for both periods is a result of the renegotiation of the sublease associated with the Company’s onerous lease causing an additional expense of $3.0 million.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2017 was $9.9 million, compared with $10.5 million for the same period in 2016. As a percentage of revenues, operating expenses for the three months ended December 31, 2017 were 11.4% compared to 12.1% for the same period in 2016.

Other operating expenses for the year ended December 31, 2017 was $39.7 million, compared to $41.8 million for the same period in 2016. As a percentage of revenues, operating expenses for the year ended December 31, 2017 were 11.0% compared to 11.8% for the same period in 2016.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2017 was a decrease in expense of $0.1 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease $0.2 million of expense compared to the same period in 2016.

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

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended December 31, 2017 was $0.3 million compared to a foreign exchange gain of $1.2 million in the same period in 2016. Foreign exchange gain for the year ended December 31, 2017 was $1.0 million compared to a foreign exchange loss of $7.4 million for the same period in 2016. The foreign exchange gain for the year ended December 31, 2017 reflects the positive trend in the Canadian dollar currency, as the Canadian dollar strengthened against the U.S. dollar and British pound compared to the same period in 2016.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, 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 U.S dollar drawings on its credit facilities.

During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

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

vi) GAIN & LOSS IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

Loss in fair value of other financial liabilities for the three months ended December 31, 2017 was $2.0 million compared to a gain of $1.8 million for the same period in 2016. Loss in fair value of other financial liabilities for the year ended December 31, 2017 was $3.9 million compared to a gain of $1.8 million for the same period in 2016. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. The movement in fair value is impacted by several factors, which include IBI share price, the Canadian risk free rate, and IBI's credit risk.

vii) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2017 was $0.1 million compared to $0.6 million in the same period in 2016. Impairment of financial assets for the year ended December 31, 2017 was $1.7 million compared to $1.7 million for the same period in 2016. Overall, the company continues to manage its billings & collections process to minimize impact of any impairment of financial assets.

viii) INTEREST EXPENSE

Interest expense for the three months ended December 31, 2017 was $2.6 million compared to $3.1 million for the same period in 2016. The interest expense decreased due to the redemption of the 7% and 6% Convertible Debentures in 2016 as well as more favourable terms on the amended credit facilities secured on June 30, 2017, see discussion in the liquidity risk section of this MD&A for further details.

Interest expense for the year ended December 31, 2017 was $10.3 million compared with $25.6 million for the same period in 2016. The interest expense decreased due to the redemption of the 7% and 6% Convertible Debentures in 2016 as well as more favourable terms on the amended credit facilities secured on June 30, 2017, see discussion in the liquidity risk section of this MD&A for further details.

ix) OTHER FINANCE COSTS

Other finance costs for the three months ended December 31, 2017 was $0.3 million compared to $0.4 million for the same period in 2016. Other finance costs for the year ended December 31, 2017 were $1.5 million compared to $1.6 million for the same period in 2016.

x) INCOME TAXES

Income taxes for the three months ended December 31, 2017 was an expense of $1.7 million with an effective income tax rate of 150.0% compared to a recovery of $1.6 million with an effective income tax rate of (26.3%) for the same period in 2016. The increase in the effective tax rate for the three months ended December 31, 2017 was primarily a result of non-deductible expenses arising from accounting loss on revaluation of a financial instrument, accretion expense and the U.S operations recognizing previously unrecognized deferred tax assets during 2017. In addition, the impact of the U.S tax reform also had a significant impact as our deferred tax assets that were set up on December 31, 2016 needed to be revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

Income taxes for the year ended December 31, 2017 was an expense of $7.5 million with an effective tax rate of 39.8% compared to a recovery of $2.5 million with an effective tax rate of (249.0%) for the same period in 2016. The increase in the effective tax rate was primarily a result of non-deductible expenses arising from loss on revaluation of financial instrument, and due to accretion expense offset by a decrease due to the U.S operations recognizing previously unrecognized deferred tax assets. In addition, the US tax reform also had an impact of $1,430 as our deferred tax assets needed to be revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

xi) NET INCOME

Net loss for the three months ended December 31, 2017 was $2.9 million compared to net income of $7.6 million for the same period in 2016. The factors impacting this are set out in the description of individual line items above.

Net income for the year ended December 31, 2017 was $11.4 million compared to $3.5 million for the same period in 2016. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months ended December 31, 2017 has increased by $0.2 million compared to the same period in 2016 (see table for adjusted EBITDA[1] for the previous eight quarters in this MD&A), and for the year ended December 31, 2017 has increased by $1.4 million compared to the same period in 2016.

Following is a summary of finance costs for the year ended December 31, 2017 and December 31, 2016:

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Interest on credit facilities	$ 3,149	$ 3,057
Interest on convertible debentures	3,563	5,872
Interest on consent fee notes payable	-	255
Non-cash accretion of convertible debentures	3,281	15,403
Non-cash accretion of consent fee notes payable	-	479
Other	333	487
INTEREST EXPENSE	**$ 10,326**	**$ 25,553**
Amortization of deferred financing costs	775	1,041
Other	691	601
OTHER FINANCE COSTS	**$ 1,466**	**$ 1,642**
FINANCE COSTS	**$ 11,792**	**$ 27,195**

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, 2017:

(in thousands of Canadian dollars) (unaudited)	THREE MONTHS ENDED DECEMBER 31, 2017	2016	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Revenue	86,886	86,841	45	(1,813)	1,858
Total operating expenses, net of foreign exchange gain & loss	84,924	78,455	6,469	(1,826)	8,295

(in thousands of Canadian dollars) (unaudited)	YEAR ENDED DECEMBER 31, 2017	2016	CHANGE	FOREIGN EXCHANGE IMPACT	OPERATING CHANGE
Revenue	361,408	354,140	7,268	(3,854)	11,122
Total operating expenses, net of foreign exchange gain & loss	331,367	318,440	12,927	(3,879)	16,806

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

SELECTED ANNUAL INFORMATION

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

(in thousands of Canadian dollars, except per share amounts)	YEAR ENDED DECEMBER 31, 2017	DECEMBER 31, 2016	DECEMBER 31, 2015
Revenue	$ 361,408	$ 354,140	$ 327,092
Net income from continuing operations	$ 11,372	$ 3,494	$ 11,336
Net loss from discontinued operations	$ -	$ -	$ (1,873)
NET INCOME	$ 11,372	$ 3,494	$ 9,463
Basic and diluted earnings per share	$ 0.30	$ 0.11	$ 0.41
Basic and diluted earnings per share from continuing operations	$ 0.30	$ 0.11	$ 0.49
Basic and diluted loss per share from discontinued operations	$ -	$ -	$ (0.08)

(in thousands of Canadian dollars)	DECEMBER 31, 2017	DECEMBER 31, 2016	DECEMBER 31, 2015
TOTAL ASSETS	$ 256,316	$ 261,810	$ 255,240
Onerous lease provisions	$ 1,082	$ 2,270	$ 3,244
Finance lease obligation	$ 31	$ 67	$ 104
Credit facilities	$ 63,842	$ 73,184	$ 72,277
Convertible debentures	$ 47,157	$ 43,876	$ 84,720
Other financial liabilities	$ 13,011	$ 9,089	$ -
Deferred tax liabilities	$ 4,525	$ 4,176	$ 6,660
TOTAL LONG-TERM LIABILITIES	$ 129,648	$ 132,662	$ 167,005

xii) ADJUSTED EBITDA[1]

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

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

ADJUSTED EBITDA[1] 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.

(in thousands of Canadian dollars except for per share amounts) (unaudited)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016
Revenue	86,886	89,828	93,328	91,366	86,841	88,211	90,443	88,645
Net Income (Loss)	(2,891)	5,495	4,850	3,918	7,594	(4,728)	4,465	(3,837)
Add:								
Interest expense, net	2,602	2,505	2,538	2,681	3,064	14,384	4,054	4,051
Current and deferred tax expense (recovery)	1,736	1,986	2,046	1,750	(1,580)	(873)	234	(274)
Amortization and Depreciation	497	1,394	1,285	1,284	1,461	1,345	1,242	1,277
	4,835	5,885	5,869	5,715	2,945	14,856	5,530	5,054
EBITDA	**1,944**	**11,380**	**10,719**	**9,633**	**10,539**	**10,128**	**9,995**	**1,217**
EBITDA as a percentage of revenue	**2.2%**	**12.7%**	**11.5%**	**10.5%**	**12.1%**	**11.5%**	**11.1%**	**1.4%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	256	(2,269)	1,120	(96)	(1,215)	(392)	1,723	7,247
Loss (gain) in fair value of other financial liabilities	1,953	1,527	174	268	(1,819)	-	-	-
Change in fair value of DSP	252	251	27	298	(85)	365	349	620
Payment of DSP	-	-	(846)	-	-	-	-	-
Stock based compensation	344	282	115	65	133	132	109	79
Performance share units	26	77	-	-	-	-	-	-
Deferred financing charges	144	117	259	256	261	262	259	259
Onerous lease provision	2,724	(304)	(165)	(264)	(334)	(275)	(119)	(223)
Share of loss of equity accounted investee, net of tax	-	-	348	-	-	-	-	32
	5,699	(319)	1,032	527	(3,059)	92	2,321	8,014
Adjusted EBITDA[1]	**7,643**	**11,061**	**11,751**	**10,160**	**7,480**	**10,220**	**12,316**	**9,231**
Adjusted EBITDA[1] as a percentage of revenue	**8.8%**	**12.3%**	**12.6%**	**11.1%**	**8.6%**	**11.6%**	**13.6%**	**10.4%**
Earnings per share attributed to common shareholders	(0.08)	0.15	0.13	0.10	0.24	(0.15)	0.14	(0.12)
Earnings per share attributed to common shareholders from continuing operations	**(0.08)**	**0.15**	**0.13**	**0.10**	**0.24**	**(0.15)**	**0.14**	**(0.12)**
Weighted average share outstanding	31,189,736	31,190,153	31,190,153	31,188,486	26,020,418	24,966,744	24,966,744	24,966,744

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 and fourth quarters as a result of staff ensuring that they use their vacation hours prior to the year end. Chargeable hours are also impacted by the number of working days in the quarter (See historical working days table in the Description of Variances in Operating Results section of this MD&A).

In addition, revenue is impacted by the movement in foreign exchange rates. The following table provides the impact of foreign exchange on revenue when compared to the same period in the previous year for each of the eight most recently completed quarters:

(in thousands of Canadian dollars)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016
Gain (loss) of foreign exchange on revenue	(1,813)	(448)	(1,072)	(521)	318	(314)	(119)	2,359

ii) NET INCOME (LOSS)

Net loss in the fourth quarter of 2017 was negatively impacted by an increase in rent expense of $3.0 million as a result of the renegotiation of a sublease agreement during the period. 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 the Convertible Debentures.

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

iii) ADJUSTED EBITDA[1]

For the three months ended December 31, 2017, adjusted EBITDA was $7.6 million (three months ended December 31, 2016 - $7.5 million). For the year ended December 31, 2017, adjusted EBITDA was $40.6 million (year ended December 31, 2016 - $39.2 million).

During the second quarter of 2017 two members of the Board of Directors settled 123,641 deferred share units for $846 (2016 - $nil) upon leaving the Board. This reduced the adjusted EBITDA for the year ended December 31, 2017.

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

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	DECEMBER 31, 2017	DECEMBER 31, 2016	CHANGE
Current assets	**$ 218,862**	$ 217,002	$ 1,860
Current liabilities	**(97,687)**	(108,942)	11,255
WORKING CAPITAL	**121,175**	108,060	13,115

Current assets increased by $1.9 million as at December 31, 2017 when compared with December 31, 2016. This was due to a $8.0 million decrease in work in progress, offset by a $1.8 million increase in cash, a $2.6 million increase in accounts receivable, a $3.6 million increase in prepaid expenses and other current assets, and a $1.8 million increase in income taxes recoverable. Consistent with the continued increase in revenue and improvements made in the billing and collection cycle, on a combined basis accounts receivable and Work in Process ("WIP") has decreased by $8.0 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2017 of $2.4 million.

Current liabilities decreased by $11.2 million as at December 31, 2017 when compared with December 31, 2016. This was due to a $6.7 million decrease in accounts payable and accrued liabilities, a $7.3 million decrease in deferred revenue, a $0.4 million decrease in income taxes payable, offset by an increase in onerous lease provisions of $3.2 million. The decrease in deferred revenue is a result of the Company recognizing revenue on projects upon completion of significant milestones during the year. The decrease in accounts payable is due to the Company reducing the payment cycle to vendors. The increase in onerous lease provision is a result of the renegotiation of the sublease related to the onerous lease.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2017 of $3.6 million.

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

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

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

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 30% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016
Accounts receivable	*61*	*51*	*51*	*58*	*60*
WIP	*43*	*48*	*51*	*46*	*49*
Deferred revenue	*(24)*	*(21)*	*(22)*	*(24)*	*(29)*
	80	*78*	*80*	*80*	*80*

The days sales outstanding as at December 31, 2017 remained at 80 days when compared to December 31, 2016. 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. Monitoring the days outstanding in WIP and accounts receivable is a significant area of focus for the Company.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***DECEMBER 31, 2017***	***SEPTEMBER 30, 2017*** *(unaudited)*	***JUNE 30, 2017*** *(unaudited)*	***MARCH 31, 2017*** *(unaudited)*	***DECEMBER 31, 2016***
Accounts receivable	*111.2*	*91.7*	*92.8*	*105.2*	*108.6*
WIP	*79.0*	*86.4*	*93.5*	*84.6*	*87.0*
Deferred revenue	(43.2)	*(38.2)*	*(40.6)*	*(44.6)*	*(50.5)*
	147.00	*139.9*	*145.7*	*145.2*	*145.1*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***DECEMBER 31, 2017***	***%***	***SEPTEMBER 30, 2017*** *(unaudited)*	***%***	***JUNE 30, 2017*** *(unaudited)*	***%***	***MARCH 31, 2017*** *(unaudited)*	***%***	***DECEMBER 31, 2016***	***%***
Current	42,780	38	38,253	42	32,416	35	47,630	45	46,057	42
30 to 90 days	38,405	35	23,165	25	28,487	31	25,434	24	29,315	27
Over 90 days	30,034	27	30,289	33	31,913	34	32,132	31	33,221	31
TOTAL	111,219	100	91,707	100	92,816	100	105,196	100	108,593	100

Accounts receivable has increased by $2.6 million since December 31, 2017. There was a $1.6 million decrease in accounts receivable due to foreign exchange during the year ended December 31, 2017 compared to a $3.4 million decrease due to foreign exchange for the same period in 2016. As a result of successful implementation of the Enterprise Resource Planning ("ERP") system, the Company has improved operational efficiencies as it experienced an increase in billings and collections with a corresponding increase in cash, and a decrease in WIP. 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 an initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Work In Process

WIP has decreased by $8.0 million since December 31, 2016. There was a decrease in WIP due to foreign exchange during the year ended December 31, 2017 of $1.4 million compared to a decrease due to foreign exchange of $3.0 million for the same period in 2016. As a result of successful implementation of the ERP system, the Company has improved operational efficiencies as it experienced an increase in billings and collections with a corresponding increase in cash, and a decrease in WIP. 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 decreased by $7.3 million since December 31, 2016. There was a decrease in deferred revenue due to foreign exchange during the year ended December 31, 2017 of $1.5 million, compared to a decrease due to foreign exchange of $1.2 million for the same period in 2016. This decrease is a result of the Company recognizing revenue on projects upon completion of significant milestones during the year. 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)	**THREE MONTHS ENDED DECEMBER 31,**		
(unaudited)	**2017**	2016	***CHANGE***
Cash flows provided by operating activities	**3,305**	17,247	(13,942)
Cash flows used in financing activities	***(4,548)***	*(24,329)*	*19,781*
Cash flows used in investing activities	***(2,419)***	*7,420*	*(9,839)*

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31,**		
(unaudited)	**2017**	2016	***CHANGE***
Cash flows provided by operating activities	**15,139**	32,047	(16,908)
Cash flows used in financing activities	***(9,270)***	*(23,126)*	*13,856*
Cash flows used in investing activities	***(4,234)***	*(8,167)*	*3,933*

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended December 31, 2017 were $3.3 million, a decrease of $13.9 million compared to cash flows provided by operating activities of $17.2 million for the same period in 2016. The decrease in operating cash flows is primarily the result of an increase in income taxes paid of $5.1 million, and a decrease in non-cash operating working capital of $9.6 million, offset by an increase in net income adjusted for non-cash items of $0.4 million, and a decrease in interest paid of $0.2 million.

Cash flows from operating activities for the year ended December 31, 2017 were $15.1 million, a decrease of $16.9 million compared to cash flows provided by operating activities of $32.0 million for the same period in 2016. The decrease in operating cash flows is primarily a result of an increase in income taxes paid of

$2.5 million, and a decrease in non-cash operating working capital of $19.3 million, offset by an increase in net income adjusted for non-cash items of $3.4 million, and a decrease in interest paid of $1.5 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2017 were $4.5 million compared with $24.3 million for the same period last year. During the three months ended December 31, 2017, the Company repaid $3.5 million towards its credit facility. During the same period in 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.

Cash flows used in financing activities for the year ended December 31, 2017 were $9.3 million compared to $23.1 million for the same period last year. During the year ended December 31, 2017, the Company repaid $8.2 million towards its credit facilities and incurred $1.0 million in deferred financing costs related to the refinancing of the credit facilities in June 2017. During the same period in 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.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2017 were $2.4 million compared to $6.2 million in cash flows provided by investing activities for the same period in 2016. During the three months ended December 31, 2017, the company invested $1.8 million in property and equipment, and $0.6 million in intangible assets, and $nil contributions towards restricted cash. For the same period in 2016, the Company invested $3.8 million in property and equipment, $0.4 million in intangible assets, and advances of $10.4 million was drawn from the restricted cash sinking fund and was used to redeem the convertible debentures.

Cash flows used in investing activities for the year ended December 31, 2017 were $4.2 million compared to $8.2 million for the same period last year. During the year ended December 31, 2017, the Company gained access to $1.4 million of restricted cash, $3.9 million was invested in property and equipment, and $1.3 million invested in intangible assets. For the year ended December 31, 2016, $5.5 million was invested in property and equipment, $2.1 million invested in intangible assets, and advances of $0.6 million was drawn from restricted cash sinking fund.

CREDIT FACILITY

On June 30, 2017, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a $130.0 million revolver facility, of which a maximum of $10.0 million is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at December 31, 2017, the interest rate on Canadian dollar borrowings was 4.45% (December 31, 2016 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 2016 – 6.25%). The terms of the amended and restated credit facilities exclude the requirement to maintain a segregated cash collateral account ("Sinking Fund"). As a result of this amendment the balance of the Sinking Fund, $1.4 million, has been reclassified from Restricted Cash to Cash. Under the previous agreement, the Company was required to make additional deposits each quarter to the Sinking Fund for pre-defined amounts, these deposits are no longer required.

The definitions under the new facility are substantially the same. The financial covenants outlined in the new facility are substantially the same except for the removal of the minimum EBITDA requirement.

New facility interest margins:

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

Previous facility interest margins:

		Applicable Margin		
Level	R is the Leverage Ratio	for Floating Rate Loans is	for Libor Loans, Acceptances and Standby Instruments is	for the Commitment Fee is
I	R < 1.00:1	+1.50%	+2.50%	+0.56250%
II	1.00:1 < R < 1.50:1	+2.00%	+3.00%	+0.67500%
III	1.50:1 < R < 2.00:1	+2.25%	+3.25%	+0.73125%
IV	2.00:1 < R < 2.50:1	+2.50%	+3.50%	+0.78750%
V	R > 2.50:1	+2.875%	+3.875%	+0.871875%

As at December 31, 2017, IBI Group has borrowings of $65.7 million (December 31, 2016 - $74.7 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.8 million (December 31, 2016 - $1.6 million). As at December 31, 2017, IBI Group has letters of credit outstanding of $6.5 million (December 31, 2016 - $8.0 million), of which $6.0 million (December 31, 2016 - $5.8 million) is issued under a $30.0 million facility which matures on June 30, 2018 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At December 31, 2017, $65.7 million was outstanding under Bankers' Acceptance.

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at December 31, 2017.

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.

CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at year ended December 31, 2017 and 2016.

(in thousands of Canadian dollars)		LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures (matures on June 30, 2019)					
Balance at January 1, 2016		29,618	1,750	-	31,368
Accretion of 7.0% Debentures		12,486	-	-	12,486
Redemption of 7.0% Debentures		(31,245)	(1,189)	-	(32,434)
Balance at January 1, 2017		10,859	561	-	11,420
Accretion of 7.0% Debentures		1,323	-	-	1,323
Balance at December 31, 2017		12,182	561	-	12,743
5.5% Debentures (matures on December 31, 2021)					
Balance at January 1, 2016		-	-	-	-
Issuance of 5.5% Debentures		32,498	-	10,908	43,406
Accretion of 5.5% Debentures		519	-	-	519
Gain in fair value of other financial liabilities		-	-	(1,819)	(1,819)
Balance at January 1, 2017		33,017	-	9,089	42,106
Accretion of 5.5% Debentures		1,958	-	-	1,958
Loss in fair value of other financial liabilities		-	-	3,922	3,922
Balance at December 31, 2017		34,975	-	13,011	47,986
BALANCE, DECEMBER 31, 2017	$	47,157 $	561 $	13,011 $	60,729

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 $30.0 million principal of the 7.0% Debentures had exercised the $5 share conversion option and received 5,997,600 shares. For the balance of $1.3 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 Note 15 – Finance Costs for further detail regarding the accretion expense for the period. The Company recorded $31.2 million 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 $15.2 million(December 31, 2016 - $15.0 million) with a face value of $14.8 million 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.

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

In September 2016, the Company issued 5.5% Debentures of $46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of $8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at $32.5 million which was net of deferred financing costs of $2.6 million, estimated using discounted future cash flows at an estimated discount rate 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. 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, 2017, the fair value of the derivative component was $13.0 million (December 31, 2016 - $9.1 million).

FINANCIAL RISK MANAGEMENT

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

MARKET RISK

INTEREST RATE RISK

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

If the interest rate on the Company's variable rate loan balance as at December 31, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2017 would have decreased or increased by approximately $0.2 million.

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower during the year ended and as at December 31, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by $0.2 million for the year ended December 31, 2017. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2017, with all other variables held constant, net income would have been $nil. for the year ended December 31, 2017.

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 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.

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, 2017:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 48.8	$ 48.8	$ -	$ -	$ -
Credit facilities[1]	63.8	-	-	65.7	-
Interest on credit facilities[1,2]	-	3.1	6.2	1.5	-
Convertible debentures	47.2	-	14.8	46.0	-
Interest on convertible debentures[3]	-	3.6	5.6	2.5	-
Operating leases	141.3	23.8	48.5	27.6	41.3
TOTAL CONTRACTUAL OBLIGATIONS	$ 301.1	$ 79.3	$ 75.1	$ 143.3	$ 41.3

[1] See liquidity risk section of this MD&A.
[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.
[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

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

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

FUTURE CASH GENERATION

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

1. **ABILITY TO GENERATE SUFFICIENT CASH**

   The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to fund growth 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**

   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 June 30, 2017, 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 2019 to December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at March 8, 2018, the Company's common share capital consisted of 31,219,211 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, 2017, the units issued on such exchange would have represented a 16.77% 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, 2017.

SHARE ISSUANCES

During the year ended December 31, 2017, the Company issued 3,334 common shares as a result of an exercise of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the year ended December 31, 2017, the Company incurred a $3.5 million loss 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, 2017 was $12.7 million (2016 - $15.5 million). As at December 31, 2017, there were 60 partners (December 31, 2016 – 64 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, 2017 and 2016, the amount of distributions payable to the Management Partnership were nil.

As noted in Note 18 of the Consolidated Financial Statements – Share Based Compensation, 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:

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, 2017 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.

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 AND DEFERRED REVENUE

The Company records its work in process based on the time and materials charged into each project. 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. 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.

REVALUATION OF DERIVATIVE LIABILITY

The Company has recognized a convertible debenture as a hybrid financial instrument which includes a derivative liability component. The derivative liability requires a remeasurement at each reporting period to its fair value. Factors and assumptions which affect the fair value remeasurement of the derivative include the bond market price, risk free interest rate, credit spread and IBI share price.

ACCOUNTING DEVELOPMENTS

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.

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. With the exception of additional note disclosures in Note 6 of the Financial statements, the adoption of these amendments did not 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 Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's financial statements as the Company does not have any debt instruments measured at fair value through profit and loss.

a) FUTURE ACCOUNTING POLICY CHANGES NOT YET ADOPTED

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– *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 will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a project plan to determine the impact of the standard. The first phase was to review contracts in the different practice areas that may be impacted by the adoption of this standard given contracting practices. The second phase of the project plan involved review of contracts where the terms and conditions of the contract may impact the timing of the revenue recognized under the new standard. In 2015, the Company standardized its contract template to include terms and conditions that considered the criteria set out to recognize revenue in accordance with IFRS 15. The third and final phase of the project plan involves finalizing the assessment and quantifying the impacts to revenue recognized on contracts in accordance with IFRS 15.

Management’s assessment determined that the standardization of contracts in 2015 and the implementation of key system functionalities in 2016, streamlined the review of financial information for contracts entered into in 2015 and beyond. It was concluded that the revenue recognized on these contracts will not result in a significant change.

The guidance permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospectively with mixed requirements in the prior reporting period (partial retrospective). The Company plans to adopt the standard using the full retrospective method to restate each prior reporting period presented.

The extent of the impact of adoption of the standard on the amounts and timing of revenue recognized is estimated to be a decrease in the range of $10 million - $15 million. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

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 will adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has adopted a transition plan and timeline to review the impact of the standard. Accounts Receivable and Work in Progress will be called Contract Assets under the new standard. Based on preliminary scoping, the Company expects the standard to have an immaterial impact on loss provisions against Accounts Receivable and Work in Progress.

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 Company has established a transition plan to collect the necessary information on all of the operating leases in the spring of 2018 to begin the process to quantify the impact of adopting the standard. The Company will evaluate the transition elections at that time. The extent of the impact of adoption of the interpretation 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 will adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. Currently, the Company's share based awards are all equity settled awards and do not contain cash-settled share-based payment features. To the extent an award is offered in the future with such features, the Company will evaluate the effect of these changes.

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 Company does not expect the Interpretation to have a material impact on the financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the interpretation has not yet been determined.

Annual Improvements to *IFRS (2014 - 2016) Cycles*

On December 8, 2016, the IASB issued narrow-scope amendments to three 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 will adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements to IFRS (2015-2017) Cycles

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

IFRS 3 *Business Combinations and* IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and

IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments 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, 2017, 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, 2017, and ended on December 31, 2017, 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".

BOARD OF DIRECTORS, IBI GROUP

Scott Stewart P. Eng.
Toronto, ON, Canada
CEO, IBI Group

David Thom AIBC, MRAIC, AIA
Vancouver, BC, Canada
President, IBI Group

Dale Richmond FCMA, FCPA
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 CPA, CA
New York City, NY, USA
Independent Director;
Chair of the Audit Committee

Michael Nobrega FCPA, FCA
Toronto, ON, Canada
Independent Director;
Member of the Audit Committee;
Member of the Governance and Compensation Committee

John Reid FCPA, FCA
Toronto, ON, Canada
Independent Director;
Member of the Audit Committee;
Member of the Governance and Compensation Committee

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

MANAGEMENT TEAM

Scott Stewart
CEO

David Thom
President

Stephen Taylor
CFO

Derek Sims
Global Director, Intelligence

Mansoor Kazerouni
Global Director, Buildings

Matt Cunningham
Global Director, Infrastructure

SHAREHOLDER INFORMATION

Transfer Agent
AST 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 10, 2018
10:00 am ET
IBI Group
55 St. Clair Avenue West
Toronto, ON M4V 2Y7 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).

INVESTOR CONTACT

Stephen Taylor
CFO

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

MEDIA CONTACT

Riyaz Lalani

Bayfield Strategy, Inc.
357 Bay Street, Suite 502
Toronto, ON M5H 2T7 Canada
Tel +1 416 907 9365
rlalani@bayfieldstrategy.com

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

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ABOUT THIS PUBLICATION

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Charles Finley and Julia Harper

Designed and Produced by
Robyn Gillrie

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Jeff Bittenbender and Siyu Xiao

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Linden Laserna

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Arpana Chakravarty

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