Altus Group

Q3 2018

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Altus Group Limited

Interim Condensed Consolidated Financial Statements
September 30, 2018 and 2017
(Unaudited)
(Expressed in Thousands of Canadian Dollars)

Contents

Altus Group Limited

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)
(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

	Notes	Three months ended September 30		Nine months ended September 30	
		2018	Restated (Note 2) 2017	**2018**	Restated (Note 2) 2017
Revenues	5	**$ 120,636**	$ 117,072	**$ 379,544**	$ 354,245
Expenses					
Employee compensation		**78,043**	70,159	**243,564**	219,142
Occupancy		**5,290**	5,095	**15,941**	15,163
Office and other operating		**23,684**	20,729	**71,134**	64,834
Amortization of intangibles		**10,538**	6,602	**31,959**	20,367
Depreciation of property, plant and equipment		**2,097**	1,811	**5,901**	5,120
Acquisition and related transition costs (income)	4	**184**	302	**2,257**	1,170
Share of (profit) loss of associates		**-**	-	**-**	2,420
Restructuring costs	10	**(184)**	181	**6,458**	4,739
(Gain) loss on investments		**(42)**	-	**(81)**	(115,179)
Finance costs (income), net	6	**1,738**	454	**4,856**	2,352
Profit (loss) before income taxes		**(712)**	11,739	**(2,445)**	134,117
Income tax expense (recovery)	7	**1,011**	4,412	**1,275**	21,312
Profit (loss) for the period attributable to equity holders		**$ (1,723)**	$ 7,327	**$ (3,720)**	$ 112,805
Other comprehensive income (loss):					
Items that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences	14	**(5,513)**	(8,587)	**3,543**	(15,171)
Share of other comprehensive income (loss) of associates	14	**-**	-	**-**	(46)
Change in fair value of available-for-sale investments	14	**-**	(368)	**-**	(21,640)
Items that are not reclassified to profit or loss in subsequent periods:					
Change in fair value through other comprehensive income investment reserves	14	**(4,705)**	-	**(44,351)**	-
Other comprehensive income (loss), net of tax		**(10,218)**	(8,955)	**(40,808)**	(36,857)
Total comprehensive income (loss) for the period, net of tax, attributable to equity holders		**$ (11,941)**	$ (1,628)	**$ (44,528)**	$ 75,948
Earnings (loss) per share attributable to the equity holders of the Company during the period					
Basic earnings (loss) per share	16	**$(0.04)**	$0.19	**$(0.10)**	$2.98
Diluted earnings (loss) per share	16	**$(0.04)**	$0.19	**$(0.10)**	$2.93

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

Altus Group Limited

Interim Condensed Consolidated Balance Sheets
As at September 30, 2018 and December 31, 2017
(Unaudited)
(Expressed in Thousands of Canadian Dollars)

	Notes	September 30, 2018	Restated (Note 2) December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 93,045**	$ 28,070
Trade receivables and other	8	**145,889**	143,667
Income taxes recoverable		**4,719**	5,680
Derivative financial instruments		**1,488**	1,021
		245,141	178,438
Non-current assets			
Trade receivables and other	8	**3,536**	4,967
Derivative financial instruments		**3,160**	6,029
Investments	9	**4,450**	108,073
Deferred income taxes		**16,779**	15,285
Property, plant and equipment		**31,926**	30,374
Intangibles		**119,534**	132,959
Goodwill		**273,435**	249,990
		452,820	547,677
Total Assets		**$ 697,961**	$ 726,115
Liabilities			
Current liabilities			
Trade payables and other	10	**$ 91,429**	$ 101,454
Income taxes payable		**6,288**	2,887
Borrowings	11	**362**	661
Derivative financial instruments		**-**	918
		98,079	105,920
Non-current liabilities			
Trade payables and other	10	**37,672**	30,422
Borrowings	11	**185,028**	150,135
Deferred income taxes		**16,409**	27,576
		239,109	208,133
Total Liabilities		**337,188**	314,053
Shareholders' Equity			
Share capital	12	**489,482**	479,181
Contributed surplus	13	**19,827**	18,550
Accumulated other comprehensive income (loss)	14	**40,405**	10,402
Deficit		**(188,941)**	(96,071)
Total Shareholders' Equity		**360,773**	412,062
Total Liabilities and Shareholders' Equity		**$ 697,961**	$ 726,115

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

Altus Group Limited

Interim Condensed Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2018 and 2017
(Unaudited)
(Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
As at January 1, 2017		$ 460,003	$ 231	$ 18,476	$ 46,781	$ (184,898)	$ 340,593
Adjustment on adoption of IFRS 15	2	-	-	-	-	2,555	2,555
As at January 1, 2017		460,003	231	18,476	46,781	(182,343)	343,148
Profit (loss) for the period		-	-	-	-	112,805	112,805
Other comprehensive income (loss), net of tax:							
Currency translation differences		-	-	-	(15,171)	-	(15,171)
Change in fair value of AFS investments		-	-	-	(21,640)	-	(21,640)
Share of other comprehensive income (loss) of associates		-	-	-	(46)	-	(46)
Total comprehensive income (loss) for the period		-	-	-	(36,857)	112,805	75,948
Transactions with owners:							
Dividends declared		-	-	-	-	(17,327)	(17,327)
Share-based compensation		-	-	5,824	-	-	5,824
Dividend Reinvestment Plan		489	-	-	-	-	489
Shares issued on exercise of options		3,332	-	(491)	-	-	2,841
Shares issued on acquisitions		3,679	-	-	-	-	3,679
Shares issued under the Equity Compensation Plan		7,623	-	(4,278)	-	-	3,345
Treasury shares reserved for share-based compensation		(6,933)	-	-	-	-	(6,933)
Shares issued on conversion of convertible debentures		5,924	(216)	-	-	-	5,708
Release of treasury shares under the Restricted Share Plan		2,999	-	(2,707)	-	-	292
Gain (loss) on sale of RSs and shares held in escrow		-	-	(57)	-	-	(57)
Equity component of convertible debentures that were redeemed		-	(15)	15	-	-	-
		17,113	(231)	(1,694)	-	(17,327)	(2,139)
As at September 30, 2017		$ 477,116	$ -	$ 16,782	$ 9,924	$ (86,865)	$ 416,957
As at December 31, 2017		$ 479,181	$ -	$ 18,550	$ 10,558	$ (97,985)	$ 410,304
Adjustment on adoption of IFRS 15	2	-	-	-	(156)	1,914	1,758
As at December 31, 2017 - Restated		479,181	-	18,550	10,402	(96,071)	412,062
Adjustment on adoption of IFRS 9	2	-	-	-	28	(771)	(743)
As at January 1, 2018		479,181	-	18,550	10,430	(96,842)	411,319
Profit (loss) for the period		-	-	-	-	(3,720)	(3,720)
Other comprehensive income (loss), net of tax:							
Currency translation differences	14	-	-	-	3,543	-	3,543
Change in fair value of FVOCI investments	14	-	-	-	(44,351)	-	(44,351)
Total comprehensive income (loss) for the period		-	-	-	(40,808)	(3,720)	(44,528)
Transfer of loss on disposal of FVOCI investments	14	-	-	-	70,783	(70,783)	-
Transactions with owners:							
Dividends declared	17	-	-	-	-	(17,596)	(17,596)
Share-based compensation	13, 15	-	-	7,037	-	-	7,037
Dividend Reinvestment Plan	12	2,826	-	-	-	-	2,826
Shares issued on exercise of options	12, 13, 15	1,005	-	(163)	-	-	842
Shares issued on acquisitions	4, 12	3,729	-	-	-	-	3,729
Shares issued under the Equity Compensation Plan	12, 13, 15	2,496	-	(2,496)	-	-	-
Treasury shares purchased for share-based compensation	12, 15	(2,966)	-	-	-	-	(2,966)
Release of treasury shares under the Restricted Share Plan	12, 13, 15	3,211	-	(3,067)	-	-	144
Gain (loss) on sale of RSs and shares held in escrow	13	-	-	(34)	-	-	(34)
		10,301	-	1,277	70,783	(88,379)	(6,018)
As at September 30, 2018		**$ 489,482**	**$ -**	**$ 19,827**	**$ 40,405**	**$ (188,941)**	**$ 360,773**

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

Altus Group Limited

Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017
(Unaudited)
(Expressed in Thousands of Canadian Dollars)

	Notes	Nine months ended September 30 2018	Restated (Note 2) 2017
Cash flows from operating activities			
Profit (loss) before income taxes		**$ (2,445)**	$ 134,117
Adjustments for:			
Amortization of intangibles		**31,959**	20,367
Depreciation of property, plant and equipment		**5,901**	5,120
Amortization of lease inducements		**422**	(753)
Amortization of capitalized software development costs		**-**	264
Finance costs (income), net	6	**4,856**	2,352
Share-based compensation	13, 15	**7,037**	5,824
Unrealized foreign exchange (gain) loss		**(576)**	809
(Gain) loss on investments		**(81)**	(115,179)
(Gain) loss on disposal of property, plant and equipment and intangibles		**1,144**	627
(Gain) loss on equity derivatives and currency forward contracts		**1,633**	(337)
Share of (profit) loss of associates		**-**	2,420
Net changes in operating working capital		**(4,967)**	(5,012)
Net cash generated by (used in) operations		**44,883**	50,619
Less: interest paid		**(4,177)**	(2,998)
Less: income taxes paid		**(10,655)**	(11,711)
Add: income taxes received		**4,537**	1,822
Net cash provided by (used in) operating activities		**34,588**	37,732
Cash flows from financing activities			
Proceeds from exercise of options	12, 13, 15	**842**	2,841
Redemption of Altus UK LLP Class B and D units		**-**	(883)
Proceeds from borrowings		**50,701**	43,407
Repayment of borrowings		**(16,498)**	(20,521)
Dividends paid	17	**(14,702)**	(16,648)
Treasury shares purchased under the Restricted Share Plan	12, 15	**(2,966)**	(3,588)
Net cash provided by (used in) financing activities		**17,377**	4,608
Cash flows from investing activities			
Purchase of investments	9	**(3,622)**	(4,522)
Purchase of intangibles		**(650)**	(421)
Purchase of property, plant and equipment		**(8,293)**	(7,104)
Proceeds from disposal of property, plant and equipment and intangibles		**200**	341
Proceeds from disposal of investment	9	**54,173**	-
Acquisitions, net of cash acquired	4	**(27,192)**	(15,275)
Net cash provided by (used in) investing activities		**14,616**	(26,981)
Effect of foreign currency translation		**(1,606)**	(2,763)
Net increase (decrease) in cash and cash equivalents		**64,975**	12,596
Cash and cash equivalents			
Beginning of period		**28,070**	43,673
End of period		**$ 93,045**	$ 56,269

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

1. Basis of Preparation and Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the period ended September 30, 2018 follow the same accounting policies and methods of their application as those used in Altus Group Limited's (the "Company") audited consolidated financial statements for the year ended December 31, 2017, except for those identified under Adoption of Recent Accounting Pronouncements (Note 2) and Critical Accounting Estimates and Judgments (Note 3). These interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2017.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on November 7, 2018.

Revenue Recognition

The accounting policies applicable to revenue recognition for both the interim and comparative periods are outlined.

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

Unbilled revenue on customer contracts, which are contract assets under IFRS 15, relate to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional. Deferred revenue, which are contract liabilities under IFRS 15, relate to payments received in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts.

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

For arrangements where the timing of revenue recognition differs from the timing of invoicing, it is not considered to be a significant financing component. Invoicing terms are intended to provide customers with predictability to manage their business. In addition, billing schedules may be established for certain arrangements. Payment terms vary by contract type; however, terms are generally 30 to 60 days. Customer deposits are included in trade payables and other and represent customer payments made in advance for services for which the Company will recognize as revenue upon transfer of control of the promised services. At contract inception, the Company expects that the period between when the Company transfers control of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. As a practical expedient, the consideration is not adjusted for the effects of a significant financing component. In addition, for contingency arrangements, the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Company.

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

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

Performance obligations for services on a time and materials or fixed fee basis are typically satisfied over time as services are rendered. In contracts where the Company is not entitled to payment until the performance obligations are satisfied, revenue is recognized at a point in time.

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

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

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

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

Software and data products

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

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

Financial Assets and Liabilities

The accounting policies applicable to financial instruments from the date of initial application of IFRS 9 on January 1, 2018 are outlined. The accounting policies applicable to the comparatives are outlined in the most recent audited annual consolidated financial statements for the year ended December 31, 2017.

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

From January 1, 2018, the Company classifies its financial assets in the following subsequent measurement categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); or
- fair value through profit or loss ("FVPL").

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, the classification will depend on the business model in which the investment is held and contractual terms of the cash flows. The Company reclassifies debt investments when and only when its business model for managing those assets changes, which is expected to be infrequent. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company classifies its financial liabilities as subsequently measured at amortized cost or FVPL. Financial liabilities are subsequently measured at amortized cost, except for those at FVPL such as derivative financial instruments and contingent consideration payables.

The FVPL option can be elected for financial liabilities if:

- it eliminates or significantly reduces an accounting mismatch;
- the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

This irrevocable election is made at initial recognition and these financial liabilities cannot be reclassified out of the category while they are held or issued.

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

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

Classification of financial assets at amortized cost

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Classification of financial assets at fair value through other comprehensive income

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

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

Classification of financial assets at fair value through profit or loss

The Company classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or at FVOCI;
- equity investments that are held for trading;
- equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income; and
- derivative financial instruments.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets for unbilled revenue on customer contracts, the Company applies the simplified approach permitted by IFRS 9 (5.5.15), which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

Financial assets, subject to the expected credit loss model, are trade receivables and contract assets for unbilled revenue on customer contracts.

The criteria used to determine risk of default and to estimate expected credit losses include:

- delinquencies in payments;
- significant financial difficulty of the debtor;
- it becomes probable that the debtor will enter bankruptcy; or
- significant changes in macroeconomic factors that indicate future defaults will vary and measurable changes in estimated future cash flows will result, provided that such information is observable and available without undue cost or effort.

Seasonality

Certain segments of the Company's operations are subject to seasonal variations which may impact overall quarterly results. Geomatics' projects tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods. In the global Property Tax practice, the Company can experience significant fluctuations on a quarterly basis as a result of the timing of contingency settlements and other factors. The Altus Analytics business experiences some seasonality. ARGUS software products sold as perpetual licenses tend to have a stronger fourth quarter in revenues, a trend that is common in many other software companies. Also, appraisal management could experience some seasonal patterns around the second and fourth quarters, associated with some clients' practices of bi-annual and annual appraisals.

1. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

Future Accounting Pronouncements

International Financial Reporting Standard 16, Leases

IFRS 16, *Leases*, which was issued in January 2016, will replace International Accounting Standard 17, *Leases*. IFRS 16 was issued to increase transparency and comparability. Lessees are required to recognize nearly all leases on the balance sheet with right-of-use assets and lease liabilities for those leases classified as operating leases under the current standard, with limited exceptions. Under the new standard, enhanced disclosures are expected to give users of financial statements a basis to assess the effects of leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, using either a full or modified retrospective application. The standard will impact the operating leases for offices and equipment as disclosed in Note 19. The Company considered the system functionality and internal controls required to support the change in accounting for leases. The Company continued its implementation efforts with its advisor in order to finalize the accounting policy and quantify the impact of this standard to the opening balance sheet, which is expected to be material. This will be reported in the annual consolidated financial statements for 2018. The Company intends to apply this standard on a modified retrospective basis.

2. Adoption of Recent Accounting Pronouncements

International Financial Reporting Standard 15, Revenue from Contracts with Customers

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

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

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

2. Adoption of Recent Accounting Pronouncements, cont'd

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

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

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

The Company is required to restate certain previously reported results on adoption of the standard on a full retrospective basis, including the recognition of a decrease in revenues and a decrease in income tax. In addition, adoption of the standard resulted in an increase in trade receivables and other, and a decrease in deferred revenue within trade payables and other, driven by upfront revenue recognition at the time of delivery of the distinct license and unbilled revenue on customer contracts. This resulted in corresponding impacts to deferred income taxes and income taxes recoverable. Adoption of the standard had no impact on net cash provided by (used in) operating activities, financing activities or investing activities.

Impacts to Previously Reported Results

Consolidated Statements of Comprehensive Income (Loss)
Expressed in thousands of Canadian dollars, except for per share amounts

	Three months ended September 30, 2017		
	As Reported	IFRS 15 Adjustments	As Restated
Revenues	$ 117,380	$ (308)	$ 117,072
Income tax expense (recovery)	4,541	(129)	4,412
Profit (loss) for the period attributable to equity holders	7,506	(179)	7,327
Other comprehensive income (loss)	(8,911)	(44)	(8,955)
Basic earnings (loss) per share	$0.20	$(0.01)	$0.19
Diluted earnings (loss) per share	$0.19	-	$0.19

2. Adoption of Recent Accounting Pronouncements, cont'd

	Nine months ended September 30, 2017		
	As Reported	IFRS 15 Adjustments	As Restated
Revenues	$ 355,402	$ (1,157)	$ 354,245
Income tax expense (recovery)	21,778	(466)	21,312
Profit (loss) for the period attributable to equity holders	113,496	(691)	112,805
Other comprehensive income (loss)	(36,696)	(161)	(36,857)
Basic earnings (loss) per share	$2.99	$(0.01)	$2.98
Diluted earnings (loss) per share	$2.95	$(0.02)	$2.93

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

Consolidated Balance Sheets

Expressed in thousands of Canadian dollars

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

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

2. Adoption of Recent Accounting Pronouncements, cont'd

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

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

International Financial Reporting Standard 9, Financial Instruments

The Company adopted IFRS 9, *Financial Instruments*, issued in July 2014 with a date of initial application of January 1, 2018. The standard introduces a model for the classification and measurement of financial instruments, a single, forward-looking expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed approach for hedge accounting, with enhanced disclosures about risk management activity. Currently, the Company does not apply hedge accounting and will not be impacted by those changes. IFRS 9 also removes the volatility in profit or loss that is caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. The requirements of IFRS 9 represent a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, *Financial Instruments: Disclosures*. In accordance with the transitional provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

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

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

2. Adoption of Recent Accounting Pronouncements, cont'd

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

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

(1) Opening retained earnings (deficit) after adoption of IFRS 15.

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

2. Adoption of Recent Accounting Pronouncements, cont'd

Classification and measurement of financial instruments

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

				January 1, 2018
	Classification and Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Assets as per Consolidated Balance Sheet:				
Cash and cash equivalents	FVPL	Amortized cost	$ 28,070	$ 28,070
Trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, prepayments and promissory notes receivable)	Loans and receivables - amortized cost	Amortized cost	102,004	102,004
Contract assets: unbilled revenue on customer contracts (1)	Loans and receivables - amortized cost	Asset within scope of IFRS 15	32,815	31,807
Promissory notes receivable	FVPL	FVPL	3,914	3,914
Investment in Real Matters	AFS	FVOCI	105,418	105,418
Investments in equity instruments	AFS	FVOCI	1,883	1,883
Investments in partnerships	AFS	FVPL	772	772
Derivative financial instruments	FVPL	FVPL	7,050	7,050
Liabilities as per Consolidated Balance Sheet:				
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	Other liabilities - amortized cost	Amortized cost	68,870	68,870
RSU Plan and DSU Plan payables	FVPL	FVPL	11,872	11,872
Contingent consideration payables	FVPL	FVPL	10,437	10,437
Borrowings	Other liabilities - amortized cost	Amortized cost	150,796	150,796
Derivative financial instruments	FVPL	FVPL	918	918

(1) Restated for the impact of IFRS 15.

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

2. Adoption of Recent Accounting Pronouncements, cont'd

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

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

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

The impact of these changes on the Company's retained earnings (deficit) is as follows:

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

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

2. Adoption of Recent Accounting Pronouncements, cont'd

(i) Reclassification from FVPL to amortized cost

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

(ii) Reclassification from available-for-sale to FVPL

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

(iii) Equity investments previously classified as AFS

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS because these investments are not held for trading. The investments meet the definition of an equity instrument under IAS 32, *Financial Instruments: Presentation*. As such, an irrevocable election was made in accordance with IFRS 9 (5.7.5) to recognize dividend income to profit (loss), with no recycling of changes in fair value accumulated in equity through other comprehensive income. As a result, assets with a fair value of $107,301 were reclassified from AFS to financial assets at FVOCI and the related fair value losses of $26,432 were reclassified from AFS reserves to financial assets at FVOCI reserves on January 1, 2018.

Impairment of financial assets

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

3. Critical Accounting Estimates and Judgments

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

Revenue recognition and distinct performance obligations
Contracts may include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately or together requires significant judgment. A product or service is distinct if the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the product or service to the customer is separately identifiable from other promises in the contract. Such judgments could impact the timing of revenue recognition.

Revenue recognition and determination and allocation of the transaction price
The Company estimates variable consideration for contingency arrangements on a project-by-project basis. Variable consideration is not constrained only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved, which is when savings are realized by the customer, unless the contractual terms provide for an enforceable right to payment for performance completed.

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

Such estimates and judgments could impact the timing of revenue recognition.

3. Critical Accounting Estimates and Judgments, cont'd

Revenue recognition and satisfaction of performance obligations

The Company reviews its unbilled revenue for each project on a monthly basis to determine whether it reflects the extent of progress towards completion of the performance obligation and the amount that will be invoiced in respect of the project. Where the review determines that the value of unbilled revenue exceeds the extent of progress and the amount that will be invoiced, adjustments are made. The valuation of the unbilled revenue involves estimates of the amount of work required to complete the project to determine the extent of progress. Such estimates could impact the timing of revenue recognition.

Impairment of financial assets

The impairment provisions for financial assets disclosed in Note 18 are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions and forward-looking estimates at the end of each reporting period. Such estimates and judgments could impact trade receivables, contract assets for unbilled revenue on customer contracts and office and other operating expenses.

4. Acquisitions

Acquisition of New Market Real Estate Group, LLC

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

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares. Further, the non-compete agreement is valued separately from the acquired business.

4. Acquisitions, cont'd

Acquisition of Aspect Property Consultants LLP

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

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares. In addition, the consideration transferred for the acquired business includes a discount on the contingent consideration payable to reflect the time value of money. Further, the non-compete agreements are valued separately from the acquired business.

Acquisition of Taliance Group SAS

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

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

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

4. Acquisitions, cont'd

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

	Nine months ended September 30, 2018			
	New Market	Aspect	Taliance	**Total**
Acquisition-related costs (included in acquisition and related transition costs (income) in the interim condensed consolidated statements of comprehensive income (loss))	$ 46	$ 130	$ 886	**$ 1,062**
Consideration:				
Cash	$ -	$ 3,073	$ 26,330	**$ 29,403**
Common shares	1,004	1,083	3,312	**5,399**
Contingent consideration	-	3,265	-	**3,265**
	1,004	7,421	29,642	**38,067**
Less: discount on common shares	(351)	(325)	(994)	**(1,670)**
Less: discount on contingent consideration	-	(315)	-	**(315)**
	653	6,781	28,648	**36,082**
Less: consideration transferred for non-compete agreements	(238)	(2,064)	-	**(2,302)**
Consideration transferred for acquired businesses	415	4,717	28,648	**33,780**
Recognized amounts of identifiable assets acquired and liabilities assumed:				
Cash and cash equivalents	-	-	2,211	**2,211**
Trade receivables and other	-	-	2,429	**2,429**
Trade payables and other	-	-	(4,450)	**(4,450)**
Property, plant and equipment	-	-	44	**44**
Borrowings	-	-	(247)	**(247)**
Deferred income taxes, net	-	(813)	(3,671)	**(4,484)**
Intangibles	78	2,718	12,517	**15,313**
Total identifiable net assets of acquired businesses	78	1,905	8,833	**10,816**
Goodwill	$ 337	$ 2,812	$ 19,815	**$ 22,964**
Goodwill and intangibles deductible for tax purposes	$ 1,004	$ -	$ -	**$ 1,004**

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

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

4. Acquisitions, cont'd

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

Revenues for Aspect for the period from February 14, 2018 to September 30, 2018 that are included in the interim condensed consolidated statements of comprehensive income (loss) are $1,758. Expenses for Aspect have been fully integrated with Property Tax and the stand-alone profit (loss) cannot be determined.

Revenues and profit (loss) for Taliance for the period from July 1, 2018 to September 30, 2018 that are included in the interim condensed consolidated statement of comprehensive income (loss) is $1,316 and $(593), respectively.

The pro-forma revenues and profit (loss) of the combined entity for the nine months ended September 30, 2018 would have been $384,164 and $(3,755), respectively, assuming the acquisitions were completed on January 1, 2018.

For all acquisitions, the intangibles acquired are as follows:

	Nine months ended September 30, 2018			
	New Market	Aspect	Taliance	**Total**
Finite-life assets				
Non-compete agreements	$ 238	$ 2,064	$ -	**$ 2,302**
Customer lists	-	1,992	986	**2,978**
Customer backlog	78	726	-	**804**
Internally generated software	-	-	11,531	**11,531**
	$ 316	$ 4,782	$ 12,517	**$ 17,615**

5. Segmented Information

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

The accounting policies of the segments are the same as those applied in these interim condensed consolidated financial statements. Revenue transactions between segments are valued at market rates and eliminated on consolidation. Revenues represent those recognized from contracts with customers.

5. Segmented Information, cont'd

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

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

5. Segmented Information, cont'd

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (1)	**2018**	2017 (1)
Adjusted EBITDA for reportable segments	**$ 16,504**	$ 23,310	**$ 55,783**	$ 60,696
Depreciation of property, plant and equipment	**(2,097)**	(1,811)	**(5,901)**	(5,120)
Amortization of intangibles	**(10,538)**	(6,602)	**(31,959)**	(20,367)
Acquisition and related transition (costs) income	**(184)**	(302)	**(2,257)**	(1,170)
Share of profit (loss) of associates	**-**	-	**-**	(2,420)
Unrealized foreign exchange gain (loss) (2)	**(231)**	(512)	**576**	(809)
Gain (loss) on disposal of property, plant and equipment (2)	**(52)**	(511)	**(1,144)**	(627)
Non-cash Executive Compensation Plan costs (3)	**(1,496)**	(1,344)	**(4,307)**	(3,457)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged (3)	**74**	540	**(976)**	(265)
Gain (loss) on hedging transactions (2)	**(4)**	-	**268**	-
Restructuring costs	**184**	(181)	**(6,458)**	(4,739)
Gain (loss) on investments (4)	**42**	-	**81**	115,179
Other non-operating and/or non-recurring income (costs) (5)	**(1,176)**	(394)	**(1,295)**	(432)
Finance (costs) income, net	**(1,738)**	(454)	**(4,856)**	(2,352)
Profit (loss) before income taxes	**(712)**	11,739	**(2,445)**	134,117
Income tax recovery (expense)	**(1,011)**	(4,412)	**(1,275)**	(21,312)
Profit (loss) for the period	**$ (1,723)**	$ 7,327	**$ (3,720)**	$ 112,805

(1) Restated for the impact of IFRS 15 (Note 2).

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

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

(4) Gain (loss) on investments for the three and nine months ended September 30, 2018 relate to changes in fair value of investments in partnerships. Gain (loss) on investments for the three and nine months ended September 30, 2017 relate to the partial deemed dispositions of the Company's investment in Real Matters Inc. ("Real Matters") and re-measurement of the Company's retained interest.

(5) Other non-operating and/or non-recurring income (costs) for the three and nine months ended September 30, 2018 relate to (i) non-recurring legal matters and related costs, (ii) transactional costs for tax planning and restructuring of legal entities within the group and (iii) costs related to an executive departure. Other non-operating and/or non-recurring income (costs) for the three and nine months ended September 30, 2017 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

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

5. Segmented Information, cont'd

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

Segment Revenues and Expenditures

								Three months ended September 30, 2018
	Altus Analytics	Commercial Real Estate Consulting			Geomatics	Corporate [1]	Eliminations	**Total**
		Property Tax	Valuation and Cost Advisory	Total				
Revenues from external customers	$ 43,919	$ 38,946	$ 26,434	$ 65,380	$ 11,337	$ -	$ -	**$ 120,636**
Inter-segment revenues	175	-	(54)	(54)	1	-	(122)	**-**
Total segment revenues	44,094	38,946	26,380	65,326	11,338	-	(122)	**120,636**
Adjusted EBITDA	10,102	7,214	3,973	11,187	1,812	(6,597)	-	**16,504**
Depreciation and amortization	3,738	6,764	682	7,446	950	501	-	**12,635**
Income tax expense (recovery)	-	-	-	-	-	1,011	-	**1,011**
Finance costs (income), net	-	-	-	-	-	1,738	-	**1,738**

[1] Corporate includes global corporate office costs, finance costs (income) and income tax expense (recovery). For the three months ended September 30, 2018, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

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

5. Segmented Information, cont'd

	Three months ended September 30, 2017 [1]							
	Altus Analytics	Commercial Real Estate Consulting			Geomatics	Corporate [2]	Eliminations	Total
		Property Tax	Valuation and Cost Advisory	Total				
Revenues from external customers	$ 40,189	$ 39,385	$ 24,919	$ 64,304	$ 12,579	$ -	$ -	$ 117,072
Inter-segment revenues	222	-	(52)	(52)	1	-	(171)	-
Total segment revenues	40,411	39,385	24,867	64,252	12,580	-	(171)	117,072
Adjusted EBITDA	11,843	15,355	3,664	19,019	1,489	(9,041)	-	23,310
Depreciation and amortization	3,560	2,562	648	3,210	1,060	583	-	8,413
Income tax expense (recovery)	-	-	-	-	-	4,412	-	4,412
Finance costs (income), net	-	-	-	-	-	454	-	454
Share of (profit) loss of associates	-	-	-	-	-	-	-	-

(1) Restated for the impact of IFRS 15 (Note 2).

(2) Corporate includes global corporate office costs, finance costs (income), share of (profit) loss of associates and income tax expense (recovery). For the three months ended September 30, 2017, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

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

5. Segmented Information, cont'd

	Nine months ended September 30, 2018							
	Altus Analytics	Commercial Real Estate Consulting			Geomatics	Corporate [1]	Eliminations	**Total**
		Property Tax	Valuation and Cost Advisory	Total				
Revenues from external customers	$ 131,027	$ 137,624	$ 78,747	$ 216,371	$ 32,146	$ -	$ -	**$ 379,544**
Inter-segment revenues	575	-	(115)	(115)	5	-	(465)	**-**
Total segment revenues	131,602	137,624	78,632	216,256	32,151	-	(465)	**379,544**
Adjusted EBITDA	31,202	35,705	10,278	45,983	2,721	(24,123)	-	**55,783**
Depreciation and amortization	10,663	20,921	2,029	22,950	2,773	1,474	-	**37,860**
Income tax expense (recovery)	-	-	-	-	-	1,275	-	**1,275**
Finance costs (income), net	-	-	-	-	-	4,856	-	**4,856**

(1) Corporate includes global corporate office costs, finance costs (income) and income tax expense (recovery). For the nine months ended September 30, 2018, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

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

5. Segmented Information, cont'd

								Nine months ended September 30, 2017 [1]
	Altus Analytics	Commercial Real Estate Consulting			Geomatics	Corporate [2]	Eliminations	Total
		Property Tax	Valuation and Cost Advisory	Total				
Revenues from external customers	$ 125,336	$ 116,718	$ 75,250	$ 191,968	$ 36,941	$ -	$ -	$ 354,245
Inter-segment revenues	842	6	(172)	(166)	6	-	(682)	-
Total segment revenues	126,178	116,724	75,078	191,802	36,947	-	(682)	354,245
Adjusted EBITDA	40,090	35,282	9,245	44,527	3,461	(27,382)	-	60,696
Depreciation and amortization	10,605	8,316	1,774	10,090	3,036	1,756	-	25,487
Income tax expense (recovery)	-	-	-	-	-	21,312	-	21,312
Finance costs (income), net	-	-	-	-	-	2,352	-	2,352
Share of (profit) loss of associates	-	-	-	-	-	2,420	-	2,420

(1) Restated for the impact of IFRS 15 (Note 2).

(2) Corporate includes global corporate office costs, finance costs (income), share of (profit) loss of associates and income tax expense (recovery). For the nine months ended September 30, 2017, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

Segment Assets

	Altus Analytics	Commercial Real Estate Consulting			Geomatics	Corporate	Total
		Property Tax	Valuation and Cost Advisory	Total			
September 30, 2018	**$ 221,072**	**$ 208,025**	**$ 99,379**	**$ 307,404**	**$ 44,525**	**$ 124,960**	**$ 697,961**
December 31, 2017 [1]	$ 197,739	$ 212,754	$ 99,276	$ 312,030	$ 44,304	$ 172,042	$ 726,115

(1) Restated for the impact of IFRS 15 (Note 2).

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

6. Finance Costs (Income)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Interest on bank credit facilities	**$ 1,779**	$ 1,168	**$ 4,660**	$ 3,334
Interest on convertible debentures	**-**	-	**-**	180
Interest on finance lease liabilities	**7**	18	**30**	66
Contingent consideration payables: unwinding of discount (Note 18)	**160**	22	**493**	66
Provisions: unwinding of discount (Note 10)	**9**	3	**14**	7
Change in fair value of Altus UK LLP Class B and D units, net of change in fair value of related equity derivative	**-**	-	**-**	32
Change in fair value of interest rate swaps (not designated as cash flow hedges)	**(135)**	(707)	**(149)**	(1,217)
Finance costs	**1,820**	504	**5,048**	2,468
Finance income	**(82)**	(50)	**(192)**	(116)
Finance costs (income), net	**$ 1,738**	$ 454	**$ 4,856**	$ 2,352

7. Income Taxes

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (1)	**2018**	2017 (1)
Income tax expense (recovery)				
Current	**$ 8,010**	$ 5,299	**$ 10,802**	$ 11,526
Deferred	**(6,999)**	(887)	**(9,527)**	9,786
	$ 1,011	$ 4,412	**$ 1,275**	$ 21,312

(1) Restated for the impact of IFRS 15 (Note 2).

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

8. Trade Receivables and Other

	September 30, 2018	December 31, 2017 (1)
Trade receivables	$ **102,186**	$ 108,741
Less: allowance for doubtful accounts (Note 18)	**10,038**	7,846
Trade receivables, net	**92,148**	100,895
Contract assets: unbilled revenue on customer contracts (Note 18)	**40,336**	32,815
Deferred costs to obtain customer contracts	**460**	333
Prepayments	**10,067**	9,568
Promissory notes receivable	**6,126**	3,914
Other receivables	**288**	1,109
Balance as at September 30, 2018	**149,425**	148,634
Less non-current portion:		
Contract assets: unbilled revenue on customer contracts	**652**	366
Deferred costs to obtain customer contracts	**195**	-
Prepayments	**731**	687
Promissory notes receivable	**1,958**	3,914
	3,536	4,967
	$ **145,889**	$ 143,667

(1) Restated for the impact of IFRS 15 (Note 2).

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

For the three and nine months ended September 30, 2018, amortization of deferred costs to obtain customer contracts was $129 and $384, respectively (2017 - $92 and $262, respectively). For the three and nine months ended September 30, 2018, no impairment losses were recognized (2017 - $nil and $nil, respectively).

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

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

9. Investments

	September 30, 2018	December 31, 2017
Investment in Real Matters	$ -	$ 105,418
Investments in equity instruments	3,224	1,883
Investments in partnerships	1,226	772
	$ 4,450	$ 108,073

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

10. Trade Payables and Other

	September 30, 2018	December 31, 2017 [(1)]
Trade payables	$ 8,737	$ 8,203
Accrued expenses	52,710	62,780
Contract liabilities: deferred revenue	31,931	31,733
Contingent consideration payables (Note 18)	13,612	10,437
Dividends payable (Note 17)	5,886	5,818
Lease inducements	11,453	9,670
Provisions	4,772	3,235
Balance as at September 30, 2018	129,101	131,876
Less non-current portion:		
Accrued expenses	7,681	10,115
Contract liabilities: deferred revenue	5,127	1,440
Contingent consideration payables	12,499	9,294
Lease inducements	10,556	8,939
Provisions	1,809	634
	37,672	30,422
	$ 91,429	$ 101,454

(1) Restated for the impact of IFRS 15 (Note 2).

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

10. Trade Payables and Other, cont'd

Revenue recognized in relation to contract liabilities

	Nine months ended September 30 2018	2017 (1)
Revenue recognized that was included in the contract liabilities balance at the beginning of the period	**$ 27,054**	$ 24,250
Revenue recognized from performance obligations satisfied or partially satisfied in previous periods	**5,320**	1,399

(1) Restated for the impact of IFRS 15 (Note 2).

Provisions comprise:

	Restructuring	Other	**Total**
Balance as at January 1, 2018	$ 2,773	$ 462	$ 3,235
Charged (credited) to profit or loss:			
Additional provisions	6,458	6	6,464
Unwinding of discount (Note 6)	7	7	14
Used during the period	(4,659)	(152)	(4,811)
Exchange differences	(131)	1	(130)
Balance as at September 30, 2018	4,448	324	4,772
Less: non-current portion	(1,609)	(200)	(1,809)
	$ 2,839	**$ 124**	**$ 2,963**

Restructuring

In Q1 of 2018, the Company undertook and completed restructuring activities in Geomatics to reduce costs. In connection with these restructuring activities, a total of $nil and $2,918 in restructuring costs were recorded in the three and nine months ended September 30, 2018, respectively. These charges relate primarily to employee severance costs and onerous leases.

In Q2 of 2018, the Company initiated restructuring activities in Property Tax as a result of its integration efforts in the U.K. following the acquisition of CVS. Completion of this restructuring plan is expected to be in Q4 of 2018. In connection with these restructuring activities, a total of $(184) and $3,698 in restructuring costs were recorded in the three and nine months ended September 30, 2018, respectively. These charges relate primarily to employee severance costs and onerous leases.

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

10. Trade Payables and Other, cont'd

In addition, in Q1 of 2018, restructuring provisions made in prior years in the amount of $158 were released and credited to profit (loss).

Other

Other includes onerous leases and asset retirement obligations.

11. Borrowings

	September 30, 2018	December 31, 2017
Borrowings (current):		
Leasehold improvement loans	$ **102**	$ 125
Finance lease liabilities	**260**	536
	362	661
Borrowings (non-current):		
Bank credit facilities	**185,200**	150,400
Leasehold improvement loans	**421**	491
Finance lease liabilities	**83**	241
Less: deferred financing fees	**(676)**	(997)
	185,028	150,135
Total borrowings	$ **185,390**	$ 150,796

In June 2018, the Company increased its borrowing capacity under the revolving term facility from $200,000 to $220,000 in accordance with certain provisions of the agreement. The borrowing capacity can be further increased to $250,000. All other terms of the bank credit facilities remain the same.

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

12. Share Capital

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

		Common Shares	
	Number of Shares		Amount
Balance as at January 1, 2018	38,449,029	$	479,181
Issued on exercise of options (Note 15)	41,673		1,005
Issued under the Dividend Reinvestment Plan	93,693		2,826
Issued on acquisitions (Note 4)	171,628		3,729
Issued under the Equity Compensation Plan (Note 15)	144,881		2,496
Treasury shares purchased under the Restricted Share Plan (Note 15)	(60,560)		(2,966)
Release of treasury shares (Note 15)	100,667		3,211
Balance as at September 30, 2018	**38,941,011**	**$**	**489,482**

The 38,941,011 common shares as at September 30, 2018 are net of 297,280 treasury shares with a carrying value of $12,252 that are being held by the Company until vesting conditions are met (Note 15).

13. Contributed Surplus

		Amount
Balance as at January 1, 2018	$	18,550
Share-based compensation		7,037
Gain (loss) on sale of RSs and shares held in escrow		(34)
Shares issued on exercise of options (Note 15)		(163)
Release of treasury shares under the Restricted Share Plan (Note 15)		(3,067)
Shares issued under the Equity Compensation Plan (Note 15)		(2,496)
Balance as at September 30, 2018	**$**	**19,827**

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

14. Accumulated Other Comprehensive Income (Loss)

	Currency Translation Reserve	AFS Investments Reserves	FVOCI Investments Reserves	**Total**
Balance as at December 31, 2017	$ 37,018	$ (26,460)	$ -	$ 10,558
Adjustment on adoption of IFRS 15	(156)	-	-	(156)
Balance as at December 31, 2017 - Restated	36,862	(26,460)	-	10,402
Adjustment on adoption of IFRS 9	-	26,460	(26,432)	28
Balance as at January 1, 2018	36,862	-	(26,432)	10,430
Currency translation differences	3,543	-	-	3,543
Change in fair value of FVOCI investments	-	-	(44,351)	(44,351)
Transfer of loss on disposal of FVOCI investments	-	-	70,783	70,783
Balance as at September 30, 2018	**$ 40,405**	**$ -**	**$ -**	**$ 40,405**

15. Share-based Compensation

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

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

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2018	946,708	$25.70
Granted on March 6, 2018	546,439	$31.59
Exercised	(41,673)	$20.21
Forfeited	(5,105)	$30.98
Balance as at September 30, 2018	**1,446,369**	**$28.07**

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

15. Share-based Compensation, cont'd

Information about the Company's options outstanding and exercisable as at September 30, 2018 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
$21.23	7,500	0.62 years	7,500
$23.85	74,500	1.70 years	74,500
$21.37	16,550	1.88 years	16,550
$19.29	129,944	2.64 years	129,944
$20.28	34,332	3.17 years	17,666
$19.64	149,844	2.44 years	91,041
$30.70	50,000	4.17 years	16,667
$29.72	360,698	4.44 years	89,110
$31.86	30,000	4.87 years	7,500
$35.83	50,000	5.17 years	-
$31.59	543,001	4.43 years	-
$28.07	**1,446,369**	**3.87 years**	**450,478**

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

	March 2018 Grant
Risk-free interest rate	1.96%
Expected dividend yield	1.9%
Expected volatility	20.49% - 25.58%
Expected option life	3.00 - 4.50 years
Weighted average grant-date fair value per option	$5.03 - $5.89

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

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

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

15. Share-based Compensation, cont'd

(ii) Deferred Compensation Plans

In connection with the 2017 performance year, the Company granted a total of $2,956 under the RS Plan. In March 2018, the Company purchased 60,394 common shares with a cost of $2,956 in the open market (through the facilities of the Toronto Stock Exchange or by private agreement). This amount has been shown as a reduction in the carrying value of the Company's common shares (Note 12).

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

	Number of RSs	Number of RSUs
Balance as at January 1, 2018 (all unvested)	263,215	318,018
Granted	60,560	97,220
Released	(97,743)	(81,529)
Balance as at September 30, 2018 (all unvested)	**226,032**	**333,709**

(iii) Directors' Deferred Share Unit Plan

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

	Number of DSUs
Balance as at January 1, 2018	103,375
Granted	23,150
Redeemed	(10,427)
Balance as at September 30, 2018	**116,098**

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

15. Share-based Compensation, cont'd

(iv) Compensation Expense by Plan

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Share Option Plan	**$ 36**	$ 120	**$ 171**	$ 485
Equity Compensation Plan	**444**	728	**1,348**	1,909
Long-Term Incentive Plan	**1,016**	496	**2,788**	1,063
RS Plan	**935**	650	**2,457**	2,170
RSU Plan [1]	**1,458**	1,091	**1,502**	2,112
DSU Plan [2]	**402**	456	**94**	510

[1] For the three and nine months ended September 30, 2018, the Company recorded mark-to-market adjustments of $266 and $(980), respectively (2017 - $614 and $428, respectively).

[2] For the three and nine months ended September 30, 2018, the Company recorded mark-to-market adjustments of $149 and $(658), respectively (2017 - $246 and $82, respectively).

(v) Liabilities for Cash-settled Plans

	September 30, 2018	December 31, 2017
RSU Plan - carrying value of liability recorded within trade payables and other	**$ 7,327**	$ 8,074
DSU Plan - carrying value of liability recorded within trade payables and other	**3,560**	3,798

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

16. Earnings (Loss) per Share

For the three and nine months ended September 30, 2018, 1,446,369 share options, 297,280 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) and 281,851 equity awards and PSUs were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

For the three and nine months ended September 30, 2017, 445,982 share options and 77,652 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (1)	**2018**	2017 (1)
Profit (loss) for the period - basic and diluted	**$ (1,723)**	$ 7,327	**$ (3,720)**	$ 112,805
Weighted average number of common shares outstanding - basic	**38,879,435**	38,324,376	**38,694,699**	37,905,795
Dilutive effect of share options	**-**	151,251	**-**	152,989
Dilutive effect of equity awards and PSUs	**-**	246,676	**-**	234,137
Dilutive effect of RSs	**-**	149,842	**-**	153,052
Weighted average number of common shares outstanding - diluted	**38,879,435**	38,872,145	**38,694,699**	38,445,973
Earnings (loss) per share:				
Basic	**$(0.04)**	$0.19	**$(0.10)**	$2.98
Diluted	**$(0.04)**	$0.19	**$(0.10)**	$2.93

(1) Restated for the impact of IFRS 15 (Note 2).

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

17. Dividends

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

Dividends are declared and paid in Canadian dollars.

18. Financial Instruments and Fair Values

Financial Instruments by Category

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

		September 30, 2018			December 31, 2017 [1]	
	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost	Fair Value Through Profit or Loss	Available-for-sale	Loans and Receivables
Assets as per Balance Sheet:						
Cash and cash equivalents	**$ -**	**$ -**	**$ 93,045**	$ 28,070	$ -	$ -
Trade receivables and other (excluding deferred costs to obtain customer contracts, prepayments and promissory notes receivable)	**-**	**-**	**132,772**	-	-	134,819
Promissory notes receivable	**6,126**	**-**	**-**	3,914	-	-
Investment in Real Matters	**-**	**-**	**-**	-	105,418	-
Investments in equity instruments	**-**	**3,224**	**-**	-	1,883	-
Investments in partnerships	**1,226**	**-**	**-**	-	772	-
Derivative financial instruments	**4,648**	**-**	**-**	7,050	-	-
	$ 12,000	**$ 3,224**	**$ 225,817**	$ 39,034	$ 108,073	$ 134,819

(1) Restated for the impact of IFRS 15 (Note 2).

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

18. Financial Instruments and Fair Values, cont'd

	September 30, 2018		December 31, 2017	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Other Liabilities
Liabilities as per Balance Sheet:				
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	**$ -**	**$ 61,218**	$ -	$ 68,164
RSU Plan and DSU Plan payables	**10,887**	**-**	11,872	-
Contingent consideration payables	**13,612**	**-**	10,437	-
Borrowings	**-**	**185,390**	-	150,796
Derivative financial instruments	**-**	**-**	918	-
	$ 24,499	**$ 246,608**	$ 23,227	$ 218,960

Fair Values

The tables below present financial instruments that are measured at fair value.

	September 30, 2018			
	Level 1	Level 2	Level 3	**Total**
Assets:				
Promissory notes receivable	$ -	$ -	$ 6,126	**$ 6,126**
Investments in equity instruments	-	-	3,224	**3,224**
Investments in partnerships	-	-	1,226	**1,226**
Derivative financial instruments	-	4,648	-	**4,648**
Liabilities:				
RSU Plan and DSU Plan payables	10,887	-	-	**10,887**
Contingent consideration payables	-	-	13,612	**13,612**
Derivative financial instruments	-	-	-	**-**

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

18. Financial Instruments and Fair Values, cont'd

				December 31, 2017
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 28,070	$ -	$ -	$ 28,070
Promissory notes receivable	-	-	3,914	3,914
Investment in Real Matters	105,418	-	-	105,418
Investments in equity instruments	-	-	1,883	1,883
Investments in partnerships	-	-	772	772
Derivative financial instruments	-	7,050	-	7,050
Liabilities:				
RSU Plan and DSU Plan payables	11,872	-	-	11,872
Contingent consideration payables	-	-	10,437	10,437
Derivative financial instruments	-	918	-	918

For the three and nine months ended September 30, 2018, there were no transfers between the levels in the hierarchy.

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2018	$ 10,437
Contingent arrangements entered into during the period (Note 4)	2,950
Unwinding of discount (Note 6)	493
Settlements	(57)
Exchange differences	(211)
Balance as at September 30, 2018	**$ 13,612**

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately $132 as at September 30, 2018.

18. Financial Instruments and Fair Values, cont'd

The estimated contractual amount of contingent consideration payables as at September 30, 2018 was $14,331 (December 31, 2017 - $11,337), net of a discount of $719 (December 31, 2017 - $900).

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

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

Financial Risk Management Objectives and Policies

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

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

Credit Risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. The risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets for unbilled revenue on customer contracts. To measure the expected credit losses, trade receivables and contract assets for unbilled revenue on customer contracts have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at September 30, 2018 is determined as follows; the expected credit losses also incorporate forward-looking information.

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

18. Financial Instruments and Fair Values, cont'd

				September 30, 2018
	0 to 120 days past due	121 to 365 days past due	More than 365 days past due	**Total**
Expected loss rate	1.99%	19.24%	93.31%	**7.72%**
Gross carrying amount	$122,190	$15,246	$6,131	**$143,567**
Loss allowance provision	$(2,428)	$(2,934)	$(5,721)	**$(11,083)**

Changes in the gross carrying amount of trade receivables and contract assets for unbilled revenue on customer contracts contributed to the changes in the loss allowance provision. The gross carrying amount was impacted by revenue recognized and amounts invoiced, offset by cash collections and amounts written off as not recoverable or uncollectible. Expected loss rates are determined on a portfolio basis. The expected loss rate for the Company will differ based on the contribution of balances by portfolio and age of those balances. For the three and nine months ended September 30, 2018, no significant changes were made to the expected loss rates on a portfolio basis.

The loss allowance provision for trade receivables and contract assets for unbilled revenue on customer contracts as at September 30, 2018 reconciles to the opening loss allowance provision as follows:

		September 30, 2018
As at December 31, 2017 - under IAS 39	$	7,846
Adjustment on adoption of IFRS 9		1,008
As at January 1, 2018 - under IFRS 9		8,854
Charges during the period		4,903
Amounts written off as not recoverable or uncollectible		(2,756)
Exchange differences		82
As at September 30, 2018	**$**	**11,083**

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

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

19. Commitments and Contingencies

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

	September 30, 2018	December 31, 2017
No later than 1 year	**$ 19,030**	$ 18,428
Later than 1 year and no later than 5 years	**54,653**	54,179
Later than 5 years	**31,727**	38,811
Total	**$ 105,410**	$ 111,418

The future aggregate minimum sublease payments to be received under non-cancellable subleases as at September 30, 2018 were $4,012 (December 31, 2017 - $3,877).

As at September 30, 2018, the Company provided letters of credit of approximately $734 to its lessors (December 31, 2017 - $574).

In connection with the acquisition of Integrated Real Estate Resources, Inc. ("INTRER") completed on December 1, 2015, the Company committed to grant a total of 250,000 options, subject to conditions customary to the Company's share-based compensation plans, over a five-year period to be distributed to INTRER employees. As at September 30, 2018, the Company granted a total of 150,000 options (December 31, 2017 - 150,000 options) pursuant to this arrangement.

The Company committed to aggregate capital contributions of $1,455 (Note 9) to certain partnerships (December 31, 2017 - $1,781).

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

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

Altus Group

LISTINGS

Toronto Stock Exchange
Stock trading symbol: AIF

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