IBI Group 2015 Second-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
JUNE 30, 2015

IBI Group Inc.

Management discussion and analysis

For the three and six months ended June 30, 2015

The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three and six months ended June 30, 2015 should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements ("interim financial statements") for the three and six months ended June 30, 2015, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2014 is available on SEDAR at www.sedar.com.

The financial information herein has 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 per share amounts. Certain information contained in this MD&A are based on non-IFRS measures, which have been defined on page 28 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 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; (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) dividends are not guaranteed and will fluctuate with the Company's performance; (xviii) the possibility that the Company may issue additional Common Shares diluting

existing Shareholders' interests; (xix) income tax matters; (xx) re-financing of the credit facilities. 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, 2014. 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 at August 13, 2015.

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 Partnership ("IBI Group"), a global architecture, engineering, planning and technology entity, which operates more than 60 offices in 15 countries across the world.

IBI Group groups its services under the headings of:

- 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 $316 million in total revenue for the year ended December 31, 2015. The forecast is consistent with the Company's 3.5% annual growth expectation plus the impact of the weaker Canadian dollar. The Company currently has $332 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 2015. The Company has approximately eleven months of backlog (calculated based on the current pace of work that the Company has achieved during the last 12 months ended June 30, 2015).

The Company bases its view of industry standards on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc ("EFCG") who 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.

Based on the most recent review of this information, EBITDA margins in the industry average 8-12%. The Company has made significant progress toward achieving EBITDA margins in line with this industry average.

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

Financial highlights

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

	Three months ended June 30, 2015 (unaudited)	Three months ended June 30, 2014 (unaudited)	Six months ended June 30, 2015 (unaudited)	Six months ended June 30, 2014 (unaudited)
		(restated[2])		(restated[2])
Number of working days	63	63	125	125
Revenue	$ 80,879	$ 76,182	$ 158,360	$ 149,639
Net income from continuing operations	$ 1,594	$ 1,829	$ 4,120	$ 3,048
Net loss from discontinued operations	$ -	$ (899)	$ -	$ (922)
Net income	$ 1,594	$ 930	$ 4,120	$ 2,126
Basic and diluted earnings per share	$ 0.07	$ 0.04	$ 0.18	$ 0.09
Basic and diluted earnings per share from continuing operations	$ 0.07	$ 0.08	$ 0.18	$ 0.13
Basic and diluted earnings per share from discontinued operations	-	(0.04)	$ -	$ (0.04)
Adjusted EBITDA[1]	$ 10,106	$ 8,635	$ 16,652	$ 13,491
Adjusted EBITDA[1] as a percentage of revenue	12.5%	11.3%	10.5%	9.0%

1- See "Definition of Non-IFRS Measures"
2 - Restatement due to divestment of Quebec operations and 49% equity interest in China. See "Interim Financial Statements – Note 12"

Overview

During the six months ended June 30, 2015, the following significant events occurred:

1. On March 31, 2015, the Company submitted a recapitalization plan to refinance its banking agreement with its senior lenders which matures on March 31, 2016. The recapitalization plan was approved by the lenders with ongoing business updates and reporting against certain milestones in the plan. During the second quarter, the Company engaged a third party to assist management in the re-financing of the credit facilities. Through this process, the Company has received various forms of non-binding interest and is responding to the respective parties.

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

Subsequent to quarter end, on July 31, 2015, the Company paid $5.0 million toward the principal of the term facility as a step-down payment out of operating cash flow.

Statement of Comprehensive Income

Revenue for the three months ended June 30, 2015 was $80.9 million, compared with $76.2 million in the same period in 2014. Revenue for the six months ended June 30, 2015 was $158.4 million, compared with $149.6 million in the same period in 2014. The increase in the quarter was 6.2% when compared to the same period in 2014, while the increase for the six months was 5.9% when compared to the same period in 2014. The increase in revenue is due to the growth in the Canadian business. U.S and International revenues have remained fairly consistent for both comparative periods as a result of the impact of foreign exchange which offset the decline in U.S and International business for both comparative periods. In addition, revenue has been positively impacted by the decrease in work in process ("WIP") provisions for both comparative periods.

Net income from continuing operations for the three months ended June 30, 2015 was $1.6 million, compared with net income of $1.8 million in the same period in 2014. Net income from continuing operations for the six months ended June 30, 2015 was $4.1 million, compared with net income of $3.0 million in the same period in 2014. The primary drivers of the change in net income from continuing operations for both comparative periods was an increase in revenue and the positive impact of foreign exchange, offset by an increase in income taxes.

Basic and diluted earnings per share from continuing operations was $0.07 per share for the three months ended June 30, 2015, compared to basic and diluted earnings per share from continuing operations of $0.08 for the same period in 2014. Although revenue has increased, earnings per share from continuing operations has decreased primarily as a result of an increase in finance costs and income taxes. The increase in finance costs is primarily attributable to an increase of $0.8 million in non-cash accretion on the convertible debentures due to amendment of the 7% convertible debentures in 2014, as well as interest and non-cash accretion on the related issuance of consent fee notes payable of $0.2 million. The increase in taxes is primarily due to the recognition of previously unrecognized temporary differences impacting the prior year results, as well as changes in the mix of taxable income in the various jurisdictions that the company operates in with differing tax rates.

Basic and diluted earnings per share from continuing operations was $0.18 per share for the six months ended June 30, 2015, compared to basic and diluted earnings per share from continuing operations of $0.13 for the same period in 2014. The increase is primarily driven by an increase in revenue, offset by an increase in finance costs and income taxes. The increase in finance costs is primarily attributable to an increase of $1.6 million in non-cash accretion on the convertible debentures due to amendment of the 7% convertible debentures in 2014, as well as interest and non-cash accretion on the related issuance of consent fee notes payable of $0.3 million. The increase in taxes is primarily due to the recognition of previously unrecognized temporary differences impacting the prior year results, as well as changes in the mix of taxable income in the various jurisdictions that the company operates in with differing tax rates.

Results of operations

The results of operations presented below 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.

	Three months ended		Six months ended	
(thousands of Canadian dollars, except per share amounts)	**June 30, 2015 (unaudited)**	**June 30, 2014 (unaudited)** (restated[1])	**June 30, 2015 (unaudited)**	**June 30, 2014 (unaudited)** (restated[1])
Revenue	$ 80,879	$ 76,182	$ 158,360	$ 149,639
Salaries, fees and employee benefits	56,026	52,475	111,696	105,192
Rent	5,536	5.589	11,718	11,144
Other operating expenses	9,156	9.420	17,937	19,018
Foreign exchange loss (gain)	303	721	(2,979)	(700)
Amortization of intangible assets	189	228	379	458
Amortization of property and equipment	979	584	1,783	1,022
Impairment (recovery) of financial assets	(20)	549	276	1,173
	$ 72,169	$ 69,566	$ 140,810	$ 137,307
Operating Income	$ 8,710	$ 6,616	$ 17,550	$ 12,332
Interest expense, net	5,741	4,264	10,855	8,525
Other finance costs	197	340	449	679
Finance Costs	$ 5,938	$ 4,604	$ 11,304	$ 9,204
Share of loss of equity-accounted investee, net of tax	212	-	409	-
Net Income before taxes from continuing operations	$ 2,560	$ 2,012	$ 5,837	$ 3,128
Current tax expense	669	880	1,068	1,612
Deferred tax expense (recovery)	297	(697)	649	(1,532)
Income Taxes	$ 966	$ 183	$ 1,717	$ 80
Net income from continuing operations	$ 1,594	$ 1,829	$ 4,120	$ 3,048
Net loss from discontinued operations	-	(899)	-	(922)
Net Income	$ 1,594	$ 930	$ 4,120	$ 2,126
Other Comprehensive Income				
Items that are or may be reclassified to profit or loss				
Income (loss) on translating financial statements of foreign operations from continuing operations, net of tax	$ (369)	$ 21	$ 739	$ (68)
Other Comprehensive Income (Loss), Net of Tax	(369)	21	739	(68)
Total Comprehensive Income	$ 1,225	$ 951	$ 4,859	$ 2,058
Net Income Attributable to:				
Common shareholders	$ 1,243	$ 723	$ 3,213	$ 1,652
Non-controlling interests	351	207	907	474
Net Income	$ 1,594	$ 930	$ 4,120	$ 2,126
Total Comprehensive Income Attributable to:				
Common shareholders	$ 956	$ 739	$ 3,790	$ 1,599
Non-controlling interests	269	212	1,069	459
Total Comprehensive Income	$ 1,225	$ 951	$ 4,859	$ 2,058
Earnings per Share Attributable to Owners of the Company:				
Basic and diluted earnings per share	$ 0.07	$ 0.04	$ 0.18	$ 0.09
Basic and diluted earnings per share from continuing operations	$ 0.07	$ 0.08	$ 0.18	$ 0.13
Basic and diluted earnings per share from discontinued operations	$ -	$ (0.04)	$ -	$ (0.04)

[1] Restatement due to divestment of Quebec operations and 49% equity interest in China. See "Interim Financial Statements" – Note 12.

Description of Variances in Operating Results

i) Revenue from continuing operations

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

Revenue from continuing operations for the three months ended June 30, 2015 was an increase of $4.7 million or 6.2% compared to the same period in 2014. Revenue from continuing operations for the six months ended June 30, 2015 was an increase of $8.7 million or 5.9% compared to the same period in 2014.

The increase in revenue from continuing operations is due to the growth in the Canadian business. U.S and International revenues have remained fairly consistent for both comparative periods as a result of the impact of foreign exchange which has offset the decline in U.S and International business for both comparative periods. In addition, revenue has been positively impacted by the decrease in work in process ("WIP") provisions for both comparative periods.

The impact of foreign exchange on revenue from continuing operations for the three months ended June 30, 2015 was an additional $3.1 million of revenue compared to the same period in 2014. The impact of foreign exchange on revenue from continuing operations for the six months ended June 30, 2015 was an additional $6.1 million of revenue compared to the same period in 2014.

ii) Salaries, fees, and employee benefits from continuing operations

Salaries, fees, and employee benefits from continuing operations for the three months ended June 30, 2015 was $56.0 million compared with $52.5 million in the same period in 2014. As a percentage of revenues, salaries, fees and employee benefits from continuing operations for the three months ended June 30, 2015 was 69.3% compared to 68.9% for the same period in 2014.

Salaries, fees, and employee benefits from continuing operations for the six months ended June 30, 2015 was $111.7 million compared with $105.2 million in the same period in 2014. As a percentage of revenues, salaries, fees and employee benefits from continuing operations for the six months ended June 30, 2015 was 70.5% compared to 70.3% for the same period in 2014.

The increase is due to foreign exchange rate movements between the Canadian dollar, U.S dollar, British pound and other local currencies of international subsidiaries. The impact of foreign exchange on salaries, fees and employee benefits from continuing operations for the three months ended June 30, 2015 was an additional $2.3 million of expense compared to the same period in 2014. The impact of foreign exchange on salaries, fees and employee benefits from continuing operations for the six months ended June 30, 2015 was an additional $4.9 million of expense compared to the same period in 2014.

The Company continues to evaluate where synergies exist within the organization to further reduce these costs.

iii) Rent from continuing operations

Rent from continuing operations for the three months ended June 30, 2015 was $5.5 million compared to $5.6 million in the same period in 2014. The impact of foreign exchange on rent from continuing operations for the three months ended June 30, 2015 was an additional $0.3 million of expense compared to the same period in 2014.

Rent from continuing operations for the six months ended June 30, 2015 was $11.7 million compared to $11.1 million in the same period in 2014. This increase is mainly attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar, British pound and other local currencies of international subsidiaries. The impact of foreign exchange on rent from continuing operations for the six months ended June 30, 2015 was an additional $0.5 million of expense compared to the same period in 2014.

iv) Other operating expenses from continuing operations

Other operating expenses from continuing operations for the three months ended June 30, 2015 was $9.2 million compared to $9.4 million in the same period in 2014. As a percentage of revenues, operating expenses for the three months ended June 30, 2015 were 11.3% compared to 12.4% for the same period in 2014. The impact of foreign exchange on other operating expenses from continuing operations for the three months ended June 30, 2015 was $0.3 million of expense compared to the same period in 2014.

Other operating expenses from continuing operations for the six months ended June 30, 2015 was $17.9 million compared to $19.0 million in the same period in 2014. As a percentage of revenues, operating expenses for the six months ended June 30, 2015 were 11.3% compared to 12.7% for the same period in 2014. The impact of foreign exchange on other operating expenses from continuing operations for the six months ended June 30, 2015 was $0.6 million of expense compared to the same period in 2014.

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

During the three months ended June 30, 2015, the Company paid $0.3 million to professional advisors to assist in the restructuring of the balance sheet compared to $1.0 million for the same period in 2014. During the six months ended June 30, 2015, the Company paid $0.5 million to professional advisors to assist in the restructuring of the balance sheet compared to $2.3 million for the same period in 2014.

v) Foreign exchange loss (gain) from continuing operations

Foreign exchange loss from continuing operations for the three months ended June 30, 2015 was $0.3 million compared to $0.7 million in the same period in 2014. Foreign exchange gain from continuing operations for the six months ended June 30, 2015 was $3.0 million compared to $0.7 million in the same period in 2014.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar, British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, as well as intercompany loans made by the Canadian parent Company in the functional currency of foreign subsidiaries that is not considered part of the permanent investment in the foreign subsidiaries.

vi) Amortization of intangible assets from continuing operations

Amortization of intangible assets from continuing operations for the three months ended June 30, 2015 was $0.2 million which is consistent with the same period in 2014.

Amortization of intangible assets from continuing operations for the six months ended June 30, 2015 was $0.4 million compared to $0.5 million in the same period in 2014.

vii) Amortization of property and equipment from continuing operations

Amortization of property and equipment from continuing operations for the three months ended June 30, 2015 was $1.0 million compared to $0.6 million for the same period in 2014. Amortization of property and equipment from continuing operations for the six months ended June 30, 2015 was $1.8 million compared to $1.0 million for the same period in 2014. The increase is primarily attributable to amortization on capital expenditures related to office moves, as well as computer software acquired during the latter half of 2014.

viii) Impairment (recovery) of financial assets from continuing operations

Impairment of financial assets from continuing operations for the three months ended June 30, 2015 was $nil compared to $0.5 million in the same period in 2014. Impairment of financial assets from continuing operations for the six months ended June 30, 2015 was $0.3 million compared to $1.2 million in the same period in 2014.

The Company monitors accounts receivable with a focus to improve collections, resulting in a decrease in write-offs of accounts receivable.

ix) Interest expense from continuing operations

Interest expense from continuing operations for the three months ended June 30, 2015 was $5.7 million compared to $4.3 million in the same period in 2014. The increase is primarily attributable to an increase of $0.8 million in non-cash accretion on the convertible debentures due to amendment of the 7% convertible debentures in 2014, as well as the interest and non-cash accretion on the related issuance of consent fee notes payable of $0.2 million.

Interest expense from continuing operations for the six months ended June 30, 2015 was $10.9 million compared to $8.5 million in the same period in 2014. The increase is primarily attributable to an increase of $1.6 million in non-cash accretion on the convertible debentures due to amendment of the 7% convertible debentures in 2014, as well as the interest and non-cash accretion on the related issuance of consent fee notes payable of $0.3 million.

x) Other finance costs from continuing operations

Other finance costs from continuing operations for the three months ended June 30, 2015 were $0.2 million, compared to $0.3 million in the same period in 2014.

Other finance costs from continuing operations for the six months ended June 30, 2015 were $0.4 million, compared to $0.7 million in the same period in 2014. The decrease in primarily attributable to amortization of deferred financing costs in the prior period which were written off in the third quarter of 2014.

xi) Income taxes from continuing operations

Income tax expense from continuing operations for the three months ended June 30, 2015 $1.0 million with an effective income tax rate of 37.7% compared to $0.2 million with an effective income tax rate of 9.1% for the same period in 2014. Income tax expense from continuing operations for the six months ended June 30, 2015 $1.7 million with an effective income tax rate of 29.4% compared to $0.1 million with an effective income tax rate of 2.6% for the same period in 2014. The increase in the effective income tax rate for both comparative periods was primarily due to the recognition of previously unrecognized temporary differences impacting the prior year results, as well as changes in the mix of taxable income in the various jurisdictions that the company operates in with differing tax rates.

xii) Net income from continuing operations

Net income from continuing operations for the three months ended June 30, 2015 decreased to $1.6 million from $1.8 million from the same period in 2014. The factors impacting net income are set out in the description of individual line item accounts above. Net income from continuing operations for the three months ended June 30, 2015 includes a foreign exchange loss of $0.3 million compared to $0.7 million for the same period in 2014.

Net income from continuing operations for the six months ended June 30, 2015 increased to $4.1 million from $3.0 million from the same period in 2014. The factors impacting net income are set out in the description of individual line item accounts above. Net income from continuing operations for the six months ended June 30, 2015 includes a foreign exchange gain of $3.0 million compared to $0.7 million for the same period in 2014.

Specific pre-tax items that have impacted net income from continuing operations for the three and six months ended June 30, 2015 and June 30, 2014 as follows:

(unaudited)	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Foreign exchange (loss) gain	(303)	(721)	2,979	700
WIP write-down	(1,481)	(3,175)	(2,143)	(4,899)
Accounts receivable write-up (write-down)	20	(549)	(276)	(1,173)
Accretion of convertible debentures and consent fee notes payable	(1,487)	(579)	(2,944)	(1,146)
Total	**(3,251)**	**(5,024)**	**(2,384)**	**(6,518)**

Net income from continuing operations attributable to common shareholders for the three months ended June 30, 2015 was $1.2 million or basic and diluted earnings per share from continuing operations of $0.07 per share, compared to net income of $0.7 million or $0.08 basic and diluted earnings per share from continuing operations for the same period in 2014. Basic earnings per share for the combined continuing and discontinued operations for three months ended June 30, 2015 is $0.07 compared to earnings per share of $0.04 for the same period in 2014. Basic and diluted earnings per share from

discontinued operations is $nil for the three months ended June 30, 2015 compared to a loss per share of $0.04 for the same period in 2014.

Net income from continuing operations attributable to common shareholders for the six months ended June 30, 2015 was $3.2 million or basic and diluted earnings per share from continuing operations of $0.18 per share, compared to net income of $1.7 million or $0.13 basic and diluted earnings per share from continuing operations for the same period in 2014. Basic earnings per share for the combined continuing and discontinued operations for six months ended June 30, 2015 is $0.18 compared to earnings per share of $0.09 for the same period in 2014. Basic and diluted earnings per share from discontinued operations is $nil for the six months ended June 30, 2015 compared to a loss per share of $0.04 for the same period in 2014.

Summary of foreign exchange impact

The following is a summary of the foreign exchange impact on revenue and total expenses for the three and six months ended June 30, 2015:

(unaudited)	Three months ended June 30, 2015	Three months ended June 30, 2014	Change	Foreign Exchange Impact	Real Change
Revenue	80,879	76,182	4,697	3,099	1,598
Total expenses	72,169	69,566	2,603	2,932	(329)

(unaudited)	Six months ended June 30, 2014	Six months ended June 30, 2014	Change	Foreign Exchange Impact	Real Change
Revenue	158,360	149,639	8,721	6,074	2,647
Total expenses	140,810	137,307	3,503	6,157	(2,654)

xiii) Adjusted EBITDA[1] from continuing operations

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

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

Adjusted EBITDA[1] from continuing operations for the previous eight quarters

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

(unaudited) (in thousands of Canadian dollars except for per share amounts)	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**
Revenue	80,879	77,481	75,030	73,605	76,182	73,456	72,109	34,602
Net Income (Loss)	1,594	2,526	(6,974)	1,688	930	1,196	(100,908)	(47,177)
Net Income (Loss) from continuing operations	1,594	2,526	(4,125)	6,996	1,829	1,219	(92,196)	(40,347)
Add:								
Interest expense, net	5,741	5,114	5,197	4,971	4,264	4,262	3,996	3,552
Current and deferred tax expense (recovery)	966	751	414	2,348	183	(103)	(3,731)	(8,343)
Amortization	1,168	994	1,216	792	812	668	1,927	2,194
	7,875	6,859	6.827	8,111	5,259	4,827	2,192	(2,597)
EBITDA	**9,469**	**9,385**	**2,702**	**15,107**	**7,088**	**6,046**	**(90,004)**	**(42,944)**
EBITDA as a percentage of revenue	**11.7%**	**12.1%**	**3.6%**	**20.5%**	**9.3%**	**8.2%**	**-124.8%**	**-61.7%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	303	(3,282)	(783)	(606)	721	(1,421)	(420)	262
Fair value and loss on redemption of DSP	231	(100)	(111)	212	355	231	111	78
Deferred financing charges	87	192	3,073	259	471	-	-	-
Restructuring costs	-	-	-	1,101	-	-	-	-
Gain on extinguishment of 7.0% convertible debentures	-	-	-	(22,028)	-	-	-	-
Loss on consent fee notes	-	-	-	2,437	-	-	-	-
Deferred costs expense on extinguishment of 7.0% convertible debentures	-	-	-	890	-	-	-	-
Impairment of PP&E	-	-	-	3,248	-	-	-	-
Impairment of Goodwill & Intangibles	-	-	-	-	-	-	94,696	-
Onerous lease provision	(196)	154	(391)	5,129	-	-	-	-
Acquisition-related costs	-	-	-	-	-	-	(419)	(440)
Share of loss of equity-accounted investee, net of tax	212	197	-	-	-	-	-	-
Adjustment items	-	-	-	-	-	-	-	47,858
	637	(2,839)	1,788	(9,358)	1,547	(1,190)	93,968	47,758
Adjusted EBITDA[1]	**10,106**	**6,546**	**4,490**	**5,749**	**8,635**	**4,856**	**3,964**	**4,814**
Adjusted EBITDA as a percentage of revenue	**12.5%**	**8.4%**	**6.0%**	**7.8%**	**11.3%**	**6.6%**	**5.5%**	**6.9%**
Earnings (loss) per share attributed to common shareholders	0.07	0.11	(0.30)	0.07	0.04	0.05	(4.47)	0.17
Earnings (loss) per share attributed to common shareholders from continuing operations	**0.07**	**0.11**	**(0.18)**	**0.39**	**0.08**	**0.05**	**(0.17)**	**(0.34)**
Weighted average shares outstanding	17,808,484	17,808,484	17,808,484	17,756,535	17,614,730	17,551,668	17,521,765	17,188,635

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

Impact of Trends on Quarterly Results

i) Revenue

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacations during the summer.

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

Revenue was negatively impacted in the third quarter of 2013 as a result of WIP write-downs of $31.0 million.

ii) Net earnings from continuing operations and Net earnings

Net earnings from continuing operations was significantly impacted in the third quarter of 2013 as a result of the write-offs of accounts receivable and WIP of $13.7 million and $34.2 million respectively.

Net earnings from continuing operations was significantly impacted in the fourth quarter of 2013 as a result of the impairment of goodwill and intangibles of $94.7 million.

Net earnings from continuing operations was positively impacted in the third quarter of 2014 as a result of the gain on extinguishment of the 7% convertible debentures of $22.0 million.

Net earnings from continuing operations was negatively impacted in the fourth quarter of 2014 as a result of the provision taken on the amount held in escrow from the sale of the equity interest in China and Quebec operations of $2.3 million.

Liquidity and capital resources

i) Working Capital

The following table represents the working capital information:

(in thousands of dollars)	June 30, 2015 *(unaudited)*	December 31, 2014	Change
Current assets	$ 208,755	$ 212,430	$ (3,675)
Current liabilities	(167,726)	(113,241)	(54,485)
Working capital	41,029	99,189	(58,160)

Current assets decreased by $3.7 million as at June 30, 2015 when compared with December 31, 2014. This is primarily the result of a combined decrease of $4.4 million in cash and restricted cash, a $4.6 million decrease in accounts receivable, offset by a $3.0 million increase in WIP and a $2.0 million increase in prepaid expenses and other current assets and a $0.3 million increase in income taxes recoverable. Accounts receivable decreased as a result of the Company's continued collection efforts. The increase in WIP is consistent with the increase in revenue compared to the six months ended December 31, 2014. The increase in prepaid expenses and other current assets is primarily due to prepayment of memberships and computer software licenses during the six months ended June 30, 2015.

There was a favourable impact of foreign exchange on current assets as at June 30, 2015 of $6.9 million compared to $6.5 million as at December 31, 2014.

Current liabilities increased by $54.5 million as at June 30, 2015 when compared with December 31, 2014. This was primarily due to an increase in deferred revenue of $5.3 million and income taxes payable of $0.6 million as well as the reclassification of credit facilities of $62.0 million to current liabilities, offset by a decrease in accounts payable and accrued liabilities of $12.8 million and a decrease in vendor notes payable of $0.6 million. The deferred revenue increased as a result of improved billing procedures across the Company. As the credit facilities mature on March 31, 2016, the entire balance has been classified as current (refer to the discussion of liquidity risk of this MD&A). The decrease in accounts payable and accrued liabilities is primarily due to payment to sub-consultants (which is consistent with the decrease in accounts receivable), as well as payment of various other operating expenses, including legal and professional fees related to the sale of the Quebec and China operations. The decrease in vendor notes payable is due to repayments net of foreign exchange revaluations since December 31, 2014.

There was an unfavourable impact of foreign exchange on current liabilities as at June 30, 2015 of $3.4 million compared to $3.6 million as at December 31, 2014.

ii) 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 34% greater than net fee volume.

Working days of gross billings outstanding[1]	June 30, 2015 *(unaudited)*	March 31, 2015 *(unaudited)*	December 31, 2014* *(unaudited)*	September 30, 2014* *(unaudited)*	June 30, 2014* *(unaudited)*
Accounts receivable	62	68	62	65	65
WIP	54	55	57	56	62
Deferred revenue	(20)	(21)	(19)	(16)	(12)
	96	102	100	105	115

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

The days sales outstanding as at June 30, 2015 has decreased by 19 days compared to June 30, 2014. The Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process as noted by the improvement in the aging of receivables per the table below. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding even further.

Components of Working Capital

	June 30, 2015 *(unaudited)*	March 31, 2015 *(unaudited)*	December 31, 2014	September 30, 2014 *(unaudited)*	June 30, 2014 *(unaudited)*
Accounts receivable	101.8	110.7	106.5	102.5	103.3
WIP	88.4	89.1	85.4	87.3	97.7
Deferred revenue	(33.3)	(33.4)	(28.0)	(24.5)	(18.9)
	156.9	166.4	163.9	165.3	182.1

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of dollars)*	*June 30, 2015* *(unaudited)*	*%*	*March 31, 2015* *(unaudited)*	*%*	*December 31, 2014*	*%*	*September 30, 2014* *(unaudited)*	*%*	*June 30, 2014* *(unaudited)*	*%*
Current	38,474	38	42,026	38	40,284	38	37,214	*36*	39,465	*38*
30 to 90 days	33,642	33	36,506	33	32,241	*30*	30,613	*30*	32,182	*31*
Over 90 days	29,711	29	32,198	29	33,926	*32*	34,712	*34*	31,645	*31*
Total	101,827	100	110,730	100	106,451	*100*	102,539	*100*	103,292	*100*

The decrease in accounts receivable is consistent with the Company's continued collection efforts. It is a major initiative of management to get billings out faster and collect outstanding invoices sooner.

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

There was a favourable impact of foreign exchange on accounts receivable as at June 30, 2015 of $3.7 million compared to $4.0 million as at December 31, 2014.

ii) Work in Process

The increase in WIP from December 31, 2014 is consistent with the increase in revenue.

WIP has decreased $9.3 million since June 30, 2014, which reflects the Company's initiative to accelerate the process of completing billings. The Company monitors WIP to ensure that any accounts where billing may be an issue are being dealt with on a timely basis.

There was a favourable impact of foreign exchange on work in process as at June 30, 2015 of $2.9 million compared to $2.5 million as at December 31, 2014.

iii) Deferred Revenue

Deferred Revenue has increased by $14.4 million since June 30, 2014 and $5.3 million since December 31, 2014, which is the result of the Company's continued efforts to get billings out faster as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

There was an unfavourable impact of foreign exchange on deferred revenue as at June 30, 2015 of $1.2 million compared to $0.5 million as at December 31, 2014.

Cash Flows

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

(in thousands of dollars) *(unaudited)*	Three months ended June 30, 2015	Three months ended June 30, 2014	
Cash flows provided by operating activities	$ 481	$ 6,686	$ (6,205)
Cash flows provided by (used in) financing activities	409	(58)	467
Cash flows used in investing activities	(4,741)	(3,602)	(1,139)

(in thousands of dollars) *(unaudited)*	Six months ended June 30, 2015	Six months ended June 30, 2014	Change
Cash flows provided by operating activities	$ 4,952	$ 8,615	$ (3,663)
Cash flows used in financing activities	(4,942)	(153)	(4,789)
Cash flows used in investing activities	(6,102)	(7,565)	1,463

Operating Activities

Cash flows from operating activities for the three months ended June 30, 2015 were $0.5 million compared to $6.7 million for the same period last year. The decrease in operating cash flows is primarily

due to a decrease in non-cash operating working capital of $7.1 million and an increase in income taxes paid of $1.3 million, offset by an increase in EBITDA of $2.4 million.

Cash flows from operating activities for the six months ended June 30, 2015 were $5.0 million compared to $8.6 million for the same period last year. The decrease in operating cash flows is primarily due to a decrease in non-cash operating working capital of $7.1 million and an increase in income taxes paid of $0.8 million, offset by an increase in EBITDA of $5.7 million. The increase in EBITDA for the six month period is inclusive of an increase in foreign exchange gain of $2.3 million. EBITDA for six months ended June 30, 2014 was inclusive of amortization of deferred financing costs of $0.5 million which were fully amortized in 2014.

Cash flows from operating activities for discontinued operations were $0.7 million for the three months ended June 30, 2014 and $1.7 million for the six months ended June 30, 2014. Cash flows from operating activities for discontinued operations for the three months and six months ended June 30, 2015 was primarily due to the improvement in non-cash operating working capital, offset by the net loss from discontinued operations.

Financing Activities

Cash flows from financing activities for the three months ended June 30, 2015 were $0.4 million compared with cash flows used in financing activities of $0.1 million for the same period in 2014. In comparison to the second quarter of 2014, the Company took advances of an additional $0.9 million from its credit facility, offset by payments of $0.3 million on the notes payable, as well as $0.2 million on the finance lease obligation.

Cash flows used in financing activities for the six months ended June 30, 2015 were $4.9 million compared with cash flows used in financing activities of $0.2 million for the same period in 2014. In comparison to the first two quarters of 2014, the Company repaid an additional $3.6 million to the credit facilities, as well as an additional $1.0 million on the notes payable and $0.4 million on the finance lease obligation.

Cash flows from financing activities for discontinued operations was $1.0 million for the three months ended June 30, 2014 and $3.0 million for the six months ended June 30, 2014 used to fund the new Montreal office that was disposed of with the Quebec business.

Investing Activities

Cash flows used in investing activities for the three months ended June 30, 2015 were $4.7 million compared with $3.6 million used for the same period in 2014. The additional cash used of $1.1 million is primarily attributable to $2.8 million used to fund restricted cash, offset by a decrease in capital expenditures of $1.9 million (as a result of capital expenditures incurred in the latter half of 2014 related to office moves).

Cash flows used in investing activities for the six months ended June 30, 2015 were $6.1 million compared with $7.6 million used for the same period in 2014. The improved cash from investing activities of $1.6 million is primarily attributable to a decrease of $4.7 million in capital expenditures (as a result of capital expenditures incurred in the latter half of 2014 related to office moves), offset by $2.8 million used to fund restricted cash.

Cash flows used in investing activities for discontinued operations was $1.6 million for the three months ended June 30, 2014 and $4.6 million for the six months ended June 30, 2014, which is comprised of capital expenditures.

Credit Facility and Bid Bond Guarantee Facility

The Company has a credit facility of $87.0 million comprised of a swing line facility of $3.5 million, a revolver facility of $14.5 million, an office capital expenditure facility of $7.0 million, a letter of credit facility of $5.0 million and a term facility of $57.0 million. As of June 30, 2015, the Company had borrowings of $72.0 million under the credit facility compared with borrowings of $73.4 million as of December 31, 2014. The decrease of $1.4 million is primarily attributable to repayments of $3.6 million, offset by foreign exchange impact on the U.S dollar denominated borrowings of $2.2 million. According to the terms of the agreement, this credit facility is set to mature on March 31, 2016. As of June 30, 2015, the Company had issued letters of credit of $4.3 million.

On July 31, 2015, $5.0 million was paid on the principal of the term facility as a step-down payment out of operating cash flow. Subsequent to this step-down payment, the term facility decreased to $52.0 million, resulting in a credit facility of $82.0 million as at July 31, 2015.

The credit facility is subject to a borrowing base calculation. In addition, the availability of each credit facility is subject to compliance with certain financial, reporting and other covenants. Advances under the credit facilities bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate plus, in each case, an applicable margin.

The credit facilities contain financial covenants including funded debt to Adjusted EBITDA[1] ratio, fixed-charge coverage ratio, and restrictions on distributions, if certain conditions were not met. The Company was in compliance with its credit facility covenants as at June 30, 2015.

On March 30, 2015, the Company and the senior lenders reached an agreement to amend the letter of credit facility. As a result of the amendment, issuance or renewal of letters of credit with a maturity date after March 31, 2016 will reduce the availability under the revolver and term facilities.

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

As at June 30, 2015, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300. The Company has pledged U.S $2,300 (December 31, 2014 - $nil) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. In accordance with the provisions of the contract, the Company expects U.S $1,176 to be unrestricted prior to the end of the second quarter of 2016 as the foreign subsidiary achieves certain milestones in relation to a local project.

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

Security Interest of Senior Lenders

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

Notes Payable

In January 2015, the Company agreed to an extension of the maturity of the notes payable to June 30, 2016. Monthly payments on these notes payable are U.S $100 until May 31, 2016 and a balloon payment of U.S $2,598 due June 30, 2016.

Balance, January 1, 2015	$	5,013
Repayment		(976)
Foreign exchange		367
Balance, March 31, 2015	$	4,404

Convertible Debentures

The Company has three series of convertible debentures outstanding as at June 30, 2015. The carrying value of the convertible debentures as at June 30, 2015 is as follows:

		Carrying value
5.75% Debentures ($20,000 principal, matures on June 30, 2017)	$	19,051
6.0% Debentures ($57,500 principal, matures on June 30, 2018)		54,676
7.0% Debentures ($46,000 principal, matures on June 30, 2019)		27,442
Total	$	101,169

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 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 US dollar prime rate, LIBOR or banker’s acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company’s variable rate loan balance as at June 30, 2015, had been 50 basis points higher or lower, with all other variables held constant, net income for the six months ended June 30, 2015 would have decreased or increased by approximately $0.3 million.

Currency Risk

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

Foreign exchange gains or losses in the Company’s net income arise on the translation of foreign-denominated intercompany loans and financial assets and liabilities (such as cash, restricted cash, accounts receivable, accounts payable and credit facilities) held in the Company’s Canadian operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower at June 30, 2015, with all other variables held constant, total comprehensive income would have increased or decreased by $0.3 million for the six months ended June 30, 2015.

(b) Credit risk

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

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered 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.

(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 and access to capital markets.

As at June 30, 2015, the Company had $4.5 million of cash. The Company has issued letters of credit of $4.3 million under the $5.0 million letter of credit facility. The Company has borrowed $72.0 million under the remaining facilities of $82.0 million resulting in an availability of $10.0 million.

On July 31, 2015, $5.0 million was paid on the principal of the term facility as a step-down payment out of operating cash flow. Subsequent to this step-down payment, the term facility decreased to $52.0 million, resulting in a credit facility of $82.0 million as at July 31, 2015.

Access to additional liquidity is subject to meeting the terms of the credit facilities, the Company's operating performance and the implementation of a recapitalization plan.

IBI Group's credit facilities will need to be renewed or refinanced no later than March 31, 2016. On March 31, 2015, the Company submitted a recapitalization plan to refinance its banking agreement with its senior lenders. The recapitalization plan was approved by the lenders with ongoing business updates and reporting against certain milestones in the plan. During the second quarter, the Company engaged a third party to assist management in the re-financing of the credit facilities. Through this process, the Company has received various forms of non-binding interest and is responding to the respective parties. Although the Company believes that it can negotiate an extension or renewal of the credit facilities or obtain replacement financing prior to the expiration of the credit facilities, there can be no assurance that the credit facilities will be extended or renewed or that future borrowings will be available, or available on terms acceptable to the Company, in an amount sufficient to meet the Company's financing requirements at that time. If such an extension or renewal or future borrowings were not available, or not available on terms acceptable to the Company, it would have a material adverse impact on the Company's business and financial condition.

As at June 30, 2015, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300. The Company has pledged U.S $2,300 (December 31, 2014 - $nil) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. In accordance with the provisions of the contract, the Company expects U.S $1,176 to be unrestricted prior to the end of the second quarter of 2016.

Contractual obligations

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as disclosed in the 2014 annual MD&A:

Contractual Obligations *(in millions of dollars)*	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Credit facilities	72.0	72.0	-	-	-
Interest on credit facilities	5.3	5.3	-	-	-
Convertible debentures	123.5	-	77.5	46.0	-
Interest on convertible debentures	25.9	7.8	14.9	3.2	-

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, subject to renegotiating the credit facilities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

Future Cash Generation

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

1. Ability to generate sufficient cash

   The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing debt outstanding within current thresholds acceptable to lenders. 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.

2. Circumstances that could affect funding

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

3. Working capital requirements

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

4. Situations involving extended payment

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

5. Circumstances that impact essential transactions

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

6. Sources of funds to meet capital expenditure requirements

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

7. Credit Facility

   As outlined in previous paragraphs, the Company's credit facility provides sufficient operating capital for the Company to execute its business plan, until March 31, 2016. During the second quarter, the Company engaged a third party to assist management in the re-financing of the credit facilities. Through this process, the Company has received various forms of non-binding interest and is responding to the respective parties.

8. Convertible Debentures

   As outlined above, the Company has three series of debentures that provide a basis of capital which requires repayment or refinancing over the period from June 2017 to June 2019.

Share capital

The company is authorized to issue an unlimited number of common shares. As at June 30, 2015, the Company's common share capital consisted of 17,808,484 shares issued and outstanding.

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

The 5,025,778 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 June 30, 2015, the units issued on such exchange would have represented a 22.0% 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 interim financial statements as at June 30, 2015.

Share Issuances

There were no share issuances during the three and six months ended June 30, 2015.

Accumulated other comprehensive loss

During the three months ended June 30, 2015, the Company incurred a loss of $0.4 million related to the translation of financial statements of foreign operations from continuing operations, of which 78.0% is attributable to common shareholders.

During the six months ended June 30, 2015, the Company recorded a gain of $0.7 million related to the translation of financial statements of foreign operations from continuing operations, of which 78.0% is attributable to common shareholders.

Transactions with related parties

Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, the Fund, IBI Group, and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the principals of the partners of the Management Partnership. The amount paid for such services during the three months ended June 30, 2015 was $5.9 million (three months ended June 30, 2014 - $6.6 million) and $12.1 million for the six months ended June 30, 2015 (six months ended June 30, 2014 - $13.3 million). As at June 30, 2015, there were 95 partners (June 30, 2014 – 102 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 June 30, 2015 and December 31, 2014 the amount of distributions payable to the Management Partnership were nil.

As at June 30, 2015, IBI Group has a loan payable to the Management Partnership of $10.0 million (December 31, 2014 - $10.0 million). The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's credit facilities with its bank lender and is unsecured. Interest expense on this advance was $0.5 million for the three months ended June 30, 2015 (three months ended June 30, 2014 - $0.1 million) and $0.6 million for the six months ended June 30, 2015 (six months ended June 30, 2014 - $0.2 million). The loan matured April 1, 2015 with no repayment prior to the maturity of the credit facility unless the Company achieves certain financial covenants. On April 1, 2015, the terms of this loan were extended to automatically extend the maturity of the loan on the last day of each month to the last day of the subsequent month, unless either the Company or the Management Partnership provides advance written notice to the other otherwise. The Partnership and Board of Directors approved a planning process to convert the Principal outstanding into common shares of IBI.

As noted in Note 12 – Discontinued Operations of the interim financial statements, on October 2, 2014, Daniel Arbour, who previously led IBI Group's operations in China, acquired a 19% equity interest in China.

Critical accounting estimates and judgments

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

Liquidity

IBI Group's swing facility and credit facility will need to be renewed or refinanced no later than March 31, 2016. On March 31, 2015, the Company submitted a recapitalization plan to refinance its banking agreement with its senior lenders. The recapitalization plan was approved by the lenders with ongoing business updates and reporting against certain milestones in the plan. During the second quarter, the Company engaged a third party to assist management in the re-financing of the credit facilities. Through this process, the Company has received various forms of non-binding interest and is responding to the respective parties. Although the Company believes that it can negotiate an extension or renewal of the credit facilities or obtain replacement financing prior to the expiration of the credit facilities, there can be

no assurance that the credit facilities will be extended or renewed or that future borrowings will be available to IBI Group, or available on acceptable terms, in an amount sufficient to meet the Company's financing requirements at that time. If such an extension or renewal or future borrowings were not available, or not available on acceptable terms, it would have a material adverse impact on the Company's business and financial condition.

The significant judgments made by management in applying the accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

Accounting developments

a) Changes in Accounting Policies

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

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

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

b) Future Accounting Policy Changes

Annual Improvements to IFRS (2012 – 2014) cycle

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

Except for the proposed amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the proposed changes would be applied retrospectively for annual periods beginning on or after January 1, 2016; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The proposed amendments to IFRS 5 would be applied prospectively in accordance with IAS 8 for annual periods beginning on or after January 1, 2016; similarly, earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

IAS 1 *Presentation of Financial Statements*

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

IFRS 11 *Joint Arrangements*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for fiscal years ending on or after December 16, 2017 and is available for early adoption.

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

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

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends

to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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 DC&P as at June 30, 2015, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2015, and ended on June 30, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Definition of non-IFRS measures

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

1. *Adjusted EBITDA*

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

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

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

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

2. *Working capital measured in Number of Days of Gross Billings*

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

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

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