MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes ("financial statements") of IBI Group Inc. (the "Company") for the three months ended March 31, 2012.

This MD&A is dated as of May 11, 2012. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2011, is or will be available on SEDAR at www.sedar.com.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") for financial statements and is expressed in Canadian dollars.

Business

IBI Group Partnership ("IBI Group") is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and intelligent systems. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

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 four 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. IBI Group provides these services in major cities across Canada, the United States, Europe, Asia and the Middle East, as well as in other international centers.

IBI Group Inc., ("the Company") and the IBI Group Partnership

The Company is the successor to IBI Income Fund, following the completion of the conversion from an income trust to a corporate structure by way of a court-approved Plan of Arrangement under the *Canada Business Corporations Act* (the ''CBCA'') on January 1, 2011 (the ''Arrangement''). Pursuant to the Arrangement, on January 1, 2011, holders of Fund Units received one Common Share for each Fund Unit held.

The Company now owns, directly or indirectly, the limited partnership units of IBI LP and the Class A Units of IBI Group as well as the common shares of IBI GP Limited.

The Company is entirely dependent upon the operations and assets of the IBI Group Partnership in which it indirectly holds 13,091,007 Class A partnership units, representing 72.3% of the issued and outstanding Class A and Class B partnership units (the “Partnership Units”) of IBI Group Partnership. IBI Group Management Partnership (“Management Partnership”) holds 5,025,778 Class B partnership units of the IBI Group, representing the remaining 27.7% of the issued and outstanding Partnership Units of IBI Group. In addition, the Management Partnership holds 5,025,778 non-participating voting units (“Non-Participating Voting Units”) of the Company which, together with the Class B partnership units of IBI Group, are exchangeable into common shares (“Shares”) of the Company on a one for one basis, subject to adjustment.

In addition to the Class B Units, the Management Partnership and IBI Group Investment Partnership, the partners of which are also partners of the Management Partnership are controlled by a person who controls a partner of the Management Partnership, together hold 3,281,011 Shares of the Company. These interests represent an interest of approximately 45.9% in the Company on a partially diluted basis, assuming the exchange of the Class B Units for Shares of the Company. There are 13,091,007 Shares issued and outstanding as at March 31, 2012 (18,116,785 Shares issued and outstanding on a partially-diluted basis).

The common shares of the Company have been listed on the Toronto Stock Exchange from January 1, 2011, the effective date of the conversion, and commenced trading on the Exchange under the symbol “IBG” on January 4, 2011, at which time the units of the Fund were delisted.

Subsequent to Q1 2012 the Company closed the issuance of 2,700,000 common shares (the “Shares’) on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters co-led by TD Securities Inc., CIBC World Markets Inc. and National Bank Financial Inc. for gross proceeds of $40,500,000 (the “Offering”). The Company granted the syndicate an over-allotment option, exercisable in whole or in part at any time up to 30 days following closing, to purchase up to an additional 405,000 Shares at the same offering price.

The Company intends to use the net proceeds from the Offering for potential future acquisitions, debt reduction and general corporate purposes.

Concurrent with the Offering, the Company has completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to IBI Group Management Partnership (the “Management Partnership”) in full satisfaction of $10 million of indebtedness owed by the Company to the Management Partnership.

Operating Highlights

The results for the first quarter of March 31, 2012 are based on 63 available working days, which is consistent with an average quarter, compared to 62 days in the first quarter of March 2011 and the fourth quarter of December 2011. The highlights are:

- Revenue at $86.9 million was $9.1 million above the first quarter of 2011, and down $1.1 million compared with the fourth quarter of 2011.
- EBITDA[1] of $11.4 million was up $0.7 million above the first quarter of 2011, and down $0.8 million compared to the fourth quarter of 2011.

- EBITDA[1] as a percentage of revenue for the first quarter of 2012 was 13.1%, a decrease of 0.7% when compared to the first quarter of 2011 and a decrease of 0.8% when compared to the fourth quarter of 2011.
- Net Earnings per share ("EPS") for the first quarter of 2012 was $0.2065, compared with Adjusted Net Earnings[1,2] per share of $0.2423 the first quarter of 2011 and $0.2311 for the fourth quarter of 2011.
- Distributable cash[1] of $6.3 million was up $0.5 million from the first quarter of 2011 and down $0.2 million when compared to the fourth quarter of 2011. As a result, the payout ratio for the first quarter of 2012 was 89%, an increase from 84.1% for the first quarter of 2011 and a decline from 89.5% for the fourth quarter of 2011. IBI is committed to increase the level of earnings such that dividends and distributions will decrease to be in the range of 60% to 65%.

Efforts continue to reduce the working capital tied up in accounts receivable, work in process and deferred revenue. IBI reports the working capital tied up in terms of gross billings per day. This is the most meaningful measure of performance. The measurement using gross billings is increasingly relevant as IBI assumes the lead role on large projects with more subconsultant participation in fee volume and recoverable expenses. The current level of the working capital tied up measured in gross billings is 142 days at the end of the first quarter 2012 versus the peak of 156 days at the end of the second quarter 2010. The current level is an increase of the equivalent of 4 days at the end of the first quarter of 2012 compared to the fourth quarter of 2011. The target is to reduce working capital tied up to 115 days.

The Liquidity and Capital Resources section below also includes the reporting on the basis of working capital tied up measured in net fee billings per day. This was the basis of measurement previously reported. The current level of the working capital tied up measured in net fee billings is 178 days at the end of the first quarter 2012 versus the peak of 195 days at the end of the second quarter 2010. This is an increase of the equivalent of 5 days at the end of the first quarter of 2012 compared to the fourth quarter of 2011. The equivalent target on this net fee billing basis is 140 days as stated in previous reporting.

Building the Practice of IBI Group as "Global Designer of Local Communities"

The basic objective of IBI Group is to build a Global Professional Practice in the planning, design and development of the physical components of urbanization throughout the world. Urbanization is one of the main driving forces in social and economic systems worldwide. While there are cultural differences, much of the physical aspects in the formation of cities; transportation and other infrastructure, buildings and public spaces for the accommodation of human activity are subject to the same professional and technical substance. Accordingly, the expanding knowledge and experience of IBI Group is transferrable throughout these world markets. IBI Group's core areas of activity in Urban Land, Building Facilities, Transportation Infrastructure, and Intelligent Systems are the primary elements of the physical development of

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(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"

(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three months ended March 31, 2012.

such urban areas. IBI Group is building this broad based expertise that provides the intelligence and knowledge that informs the work of IBI Group to address urbanization in metropolitan areas throughout the world.

IBI Group sees this intelligence in various perspectives:

1) Intelligence regarding operations of facilities and infrastructure and the impact of change in technology on these operations. In major transportation and social infrastructure and in cities, the increasing scale of work of IBI Group provides the growing intelligence to enable IBI Group to establish centres of excellence that operate on a world scale throughout the whole of the firm. This intelligence can then be deployed through the local offices serving local communities;

2) Intelligence on human senses and interaction with infrastructure and the built urban environment; the expanding body of work that IBI Group has implemented enables IBI Group to assess, with the participation of users of infrastructure and facilities, the human reactions to these environments and to learn what functions better for the human senses;

3) Intelligence on the technical aspects of the product of the work implemented; construction details in infrastructure and in building details regarding constructability, maintenance, costs; and

4) Intelligence in the doing of the work; intelligent systems to access the body of knowledge; organization for the planning design and implementation.

As IBI Group grows, the knowledge base of our intelligence is both extended and intensified, heightening the quality of the work that IBI can produce. The IBI Group model is to operate as one integrated global firm to access this intelligence and apply it by the delivery of that expertise through local communities. Accordingly, IBI Group is growing in its diversity of professional skills and in establishing physical presence in local offices throughout the world.

The business benefits of this strategy are multiple:

1) IBI Group has expanding and intensifying access to professional business opportunities with decreasing competition due to the IBI Group growing intelligence and expertise;

2) IBI Group can move this intelligence to clients with needs in urban areas that are growing and be present where markets are robust as economies fluctuate; and

3) IBI Group can access human talent in various areas of the world with the IBI global platform.

Accordingly, IBI Group will continue in this long term strategy through both organic and strategic growth. The organic growth is the long term core of growth. IBI Group has achieved an average of 12% organic growth per year since 1995. Organic growth in the first quarter of 2012 was 5.1%, demonstrating the continuing recovery from the recession that impacted operations in

Q4 2008 and thereafter. Once IBI Group has established the base global platform, the continuing emphasis will be primarily on organic growth.

IBI Group also will grow via strategic growth from acquisitions, to advance IBI Group in reaching the base global platform and to strengthen areas of expertise. IBI Group pursued this strategy through the recession that started in late 2008. During this time, IBI Group continued to build a platform of world leading expertise in the design of health care facilities, in education facilities and in intelligent systems, while addressing the reduction in housing developments in the USA and other markets. IBI Group's long term strategy will be consistently pursued but with adjustments necessary from time to time, as was the case during this recent recession with respect to housing.

IBI Group will continue to pursue work directly on behalf of the owners in what is commonly termed the "conventional" method, in which architects, engineers and other professionals are engaged directly by the owners. The owners then subsequently engage directly construction contractors and suppliers. IBI Group will also continue to grow in the new methods of delivery in Design Build and Private Finance Initiative (PFI), and/or Public Private Partnerships ("P3"). IBI Group's expanding relationships with world leading construction contractors and financiers/ investors in such work provides an alternate to delivery of facilities for public agencies who are lacking capital to invest in transport infrastructure and social infrastructure required for their societies. This method has been effectively adopted in Canada, in Great Britain and other countries throughout the world. IBI Group is also broadening relationships with investors and financiers of facilities for private ownership. IBI Group will work on a continuing basis to build the global practice of the firm.

This global platform, within one fully integrated firm, and with local delivery of diversity of world experience in services, provides IBI Group the growth opportunities and dexterity to continue to succeed while facing economic slowdowns and turmoil.

To operate on this basis requires leadership in the professional development of the centres of excellence on a global basis, as well as leadership of the delivery of services on local levels to specific clients. This leadership is provided by the owners of the Management Partnership who, in effect, are owner managers of the professional practice and business of the IBI Group Partnership. The number of partners of the Management Partnership has increased in line with the rapid growth of the firm. In 2004, at the time of the IPO, there were 35 partners and associate partners of the Management Partnership. This number has now grown, in 2012, to 91 including the election of a net additional 10 over 2011. These partners are compensated through management compensation, as well as dividends and distribution from IBI Group. This aligns the interest of the partners in the Management Partnership with the interest of the investors in the IBI Group business through the Company.

The Management Partnership with 91 partners, as of March 31, 2012, has grown to a scale that requires the clustering of the partners within geographic regions/and or functional areas of excellence so as to perform effectively. The top leadership of the Management Partnership is represented by the chairman partner and CEO, the two managing partners, and five operating partners forming an executive group of 8 senior directors. Four of the five operating directors were appointed to their positions effective February 1, 2012. The Management Partnership intends that with the continued growth of the practice and the business of IBI Group,

and the election of more partners within the Management Partnership, that additional operating partners will be appointed. The exposure to the full range of activities of the firm to this executive level will provide both the experience and continuity in the leadership of the firm.

Strategic Program of Growth in 2011

In September 2011, IBI Group concluded arrangements for the merger/acquisition of the professional practice of Dull Olson Weekes Architects, Inc., ("DOWA"), based in Portland, Oregon. DOWA has established an outstanding reputation providing professional architectural services. The practice is known for its high quality of design, technical competence, as well as social consciousness in its approach to sustainability and other societal values. Focus of the work of the firm has been in educational facilities, social infrastructure and health and community facilities. The merger of this practice within the IBI Group of Firms will complement the existing practice of IBI Group in Northwest U.S. which to date has been primarily based in the transportation infrastructure sectors including intelligent systems and functional planning and design of transportation/transit facilities. This combination of social infrastructure along with transportation infrastructure is providing IBI Group with a strong, sustainable base across the United States as IBI Group succeeds in its plan of establishing national practices in these broad areas.

In June 2011, through the professional practice of IBI Group Architects, Engineers and Landscape Architects of New York, the IBI Group of firms formed a strategic alliance by merging with CRJA, Landscape Architects (“CRJA”), based in Boston, Massachusetts. CRJA will continue as a distinct entity within the IBI Group of Firms. CRJA has established a highly regarded recognised name in the practice of Landscape Architecture in the USA and worldwide, including numerous assignments at embassies of the government of the USA throughout the world. The firm is known for its creative talent, technical expertise and consistency of professional services to its clients in successfully realising many landscape projects in educational campuses and building facilities in prestigious embassies, urban development of mixed uses; and design of public realm of streetscape and public places of all kinds. CRJA can now participate in projects of the IBI Group on this global basis, enhancing their reach in China and elsewhere and more effectively contribute in the USA through the network of IBI Group offices.

In March 2011, IBI Group concluded arrangements for the merger/acquisition of Bay Architects Inc, (“Bay”) in Southeast Texas, based in Houston. Bay is an architectural firm that specializes in educational facilities (schools and community colleges), along with other areas of architectural practice in civic, other institutional, retail, office and industrial facilities. Bay-IBI is a further strategic component of the growing international practice of IBI Group in education. Bay-IBI will also provide the strategic platform for IBI Group for growth in the State of Texas. New opportunities in the transportation sector are now being pursued combining the transportation experience of IBI Group from California and elsewhere with the Texas presence of Bay–IBI.

In January 2011, the merger of the practice of Cardinal Hardy Architectes, (“CHA”) with Beinhaker Architects was completed. This practice continues as Cardinal Hardy Beinhaker Architects (“CHBA”) affiliated with the IBI Group of firms. In parallel, the merger of the Company Groupe Cardinal Hardy Inc. (“GCHI”) directly within IBI Group was completed as

well. CHBA is a full services architectural practice known for its outstanding design and technical work ranging from institutional projects in transportation, social infrastructure including building facilities in education and health, private development projects by leading developers in the Greater Montreal Region. The firm is also an expert with an outstanding portfolio of work in urban design and landscape architecture. This merger and the ongoing integration is proceeding very effectively and has resulted in additional assignments secured from clientele of the previously separate firms.

IBI Group focused on strategic growth in Canada from the IPO in 2004 through to the third quarter of 2008. During that period of time, IBI Group acquired numerous firms of outstanding quality bringing the Canadian practice to a national leader in the areas of IBI's professional expertise. This focus on Canada first for strategic growth, enabled the acquisition of many firms in a short period of time as the greatest strength of IBI Group managerial and professional leadership was Canadian based. It was also financially efficient as the public entity within the IBI Group Partnership was a business income trust. Now that IBI Group has reached a leadership position professionally within the Canadian market, the strategic focus of acquisitions is outside Canada. Notwithstanding the focus shifting to attractive areas for IBI Group's practice outside Canada, IBI Group continues to consider acquisitions/strategic alliances that will enhance the IBI Group within Canada. The USA continues to be the largest economy in the world and as such IBI will continue to focus on building our American business. As noted in the second quarter report, IBI Group activity in industrial buildings, (the reawakened automotive industry), in education facilities, (charter schools, high schools, community colleges and university buildings), in intelligent systems; (traffic management, traveller information), and transportation including transportation oriented development, continued to be productive areas of IBI Group activity during the recession from late 2008 to present. IBI Group made acquisitions/strategic alliances on a selective basis of a series of prominent firms in various regions of the US with strength in the architecture of education facilities. The most recent example is DOWA in the northwest of the USA, operating in Oregon and Washington State. IBI Group will continue to pursue this strategy with respect to these professional areas as well as an enhanced focus going forward on the architecture of health care facilities. In the context of the continuing under-performing economic environment in the USA, there are outstanding opportunities for acquisition/strategic alliances with outstanding professional firms. The resources from these firms can also participate with IBI Group on work in Canada as well as other international markets as the economy of the USA recovers.

IBI Group is now more intensively engaged in pursuing strategic acquisitions/alliances in other international markets that include China, India, Eastern Europe, and South America, notably Brazil. IBI Group has projects in all of these market areas and is increasing IBI Group personnel and presence in these markets through organic growth. This organic growth will form the basis of integrating new firms within IBI Group through acquisition/strategic alliance.

Major Projects

IBI Group continued in the first quarter of 2012 to expand its capability. Notable areas of expansion of capability include:

- IBI Group is experiencing continued growth worldwide in the architecture of social infrastructure; including health care, educational and justice related facilities, which includes new projects internationally;
- The application of IBI Group's capability in intelligent systems from transportation and communications to other applications including management of building systems, energy systems in water distribution and other significant applications that have applicability to metropolitan urban regions throughout the world, IBI Group continues to receive new mandates in world markets including a major new project for traffic management in South Africa;
- The growth in major transportation projects in which IBI Group has been mandated with lead role. A notable example is IBI Group being selected, after a rigorous international bidding process, as the prime contractor for the design contract by NTA – Metropolitan Mass Transit System Ltd. for the ten underground transit stations in the Tel Aviv metropolitan area; following a three month delay in Q3 of 2011, due to a legal challenge, the contract was settled and the work is now actively underway and the IBI scope is extending and expanding;
- The growth in the private sector work in real estate and industrial developments, and
- The overall growth in the resources and capability of the firm. IBI Group has grown in the number of people reflecting the growth in revenue and now comprises 2,899 members of the firm, compared to 2,592 as at March 31, 2011.

With this growth in personnel and professional excellence, IBI Group increasingly is awarded leading professional and managerial roles for proponents and owners of development projects. These include major projects in social infrastructure (such as the McGill University Health Centre in Montreal; the public private partnership bid for Papworth Hospital in Cambridge, England; a study for a major new hospital in Kuala Lumpur); major transportation projects in transit facilities, as well as increasingly in the highway/road modes; the comprehensive provision of intelligent systems based on IBI Group software, integration of hardware, and the delivery of complete systems including ongoing operations (a major new highway traffic management system in South Africa); and now with improvement in certain private property markets, the leadership of major real property developments in Canada, Eastern Europe and Asia. The progress of the firm in extending the excellence of its professional capability and the breadth and depth of resources provides an increasingly effective platform for IBI Group as a significant participant in the design of physical aspects of urbanization throughout the world with IBI Group's global experience, complemented by IBI Group's established physical and operating presence in local communities.

The scope of these efforts is validation of IBI Group's integrated operating model of providing comprehensive professional services to clients in Canada, the USA and in international markets, resulting in the achievement in Q1 of 2012 of the second highest quarterly revenue of the Company to date.

Background

IBI Group commenced its professional practice in November 1974. The vision that IBI Group had at the time and continues to pursue is the establishment of a comprehensive practice

for the planning/design of sustainable urban environments including, urban built form (place) and facilities (space) the transportation infrastructure (movement) and Intelligent Systems (intelligence) in major urban regions throughout the world. Urbanization, which is the clustering and concentration of population in urban environments, is a continuing phenomenon in the developing, as well as the mature economies of the world. With the growth and intensification within urban areas, there is growing demand for the services of IBI Group in its four main areas of practice, being the planning and design of urban land, building facilities, transportation networks and intelligent systems.

The initial practice of IBI Group was exclusively Canadian based, primarily in Toronto. IBI Group extended its practice across Canada in the 1970's, established bases of operations in the United States in the 1980's, extended into Europe in the 1990's and into Asia in 2000. From 1974 through to 2000, all of the growth within IBI Group was organic growth within the firm. In 2000, IBI Group established the target of extending its practice to operate effectively in the rapidly growing economies in Asia and elsewhere throughout the world on a global scale. In order to achieve global scale, IBI Group decided to consider strategic growth for the acquisition and integration of firms within IBI Group. By 2004, IBI Group had acquired five firms and had proven its ability to successfully integrate leadership and practices within IBI Group.

In 2004, IBI Group embarked on a program of intensifying the strategic growth through acquisition, integration and consolidation, on top of organic growth of the expanding base. Equity required for this strategic growth was obtained by the IBI Group Management Partnership entering into a partnership with outside investors through the Initial Public Offering (IPO), completed on August 31, 2004. Since that time IBI Group has successfully grown from a staff of approximately 770 people and approximately $89.0 million in annualized revenue to the current level as at March 31, 2012 of approximately 2,900 members of staff, and annualized revenue of $330 million.

From 1974 to June 2011, IBI Group has experienced recessions that included: the severe recession in North America in the mid 1970's when IBI Group commenced its operations; the recession of the early 1980's; the more severe slowdown of the first half of the 1990's; the demise of the dot com bubble and the impact of 9/11 in the early decade of 2000. During these past 38 years, IBI Group continued to grow from its initial group of 30 people through to the current level of 2,900. Each of these recessions presented particular challenges, as did the recent recession that continued through 2010.

Outlook

IBI Group's operating structure and seasoned, experienced leadership which provided the motivation and discipline in the management of growth over the past 38 years, equally provides the experience of managing in the context of recessionary times such as the current financing and economic challenges. Accordingly, IBI Group continues to be confident in its ability to achieve a program of continuing to build with successful financial results, the global practice in the comprehensive planning/design of urban environments, including infrastructure, urban and facilities development. This confidence is based on the following factors:

- IBI Group continues strong performance with revenue for the quarter at the second highest ever.

- Committed fee volume for the ensuing 12 months represents approximately 10 months equivalent of work, based on the current pace of work that IBI Group has achieved during the last twelve months ended March 31, 2012. Backlog for government and public institutional clients now represents approximately 69% of total backlog. Backlog is continuing to increase in building facility areas in health care, education, and housing, the industrial sector, in transportation terminals, transportation networks and intelligent systems. IBI Group is increasingly receiving new mandates of a wide range of substantial projects in the design stage, as well as some of these now moving into design development and working drawings as projects proceed to sales;
- IBI Group's committed backlog is approximately 16% of fee volume for projects outside of North America and 24% for the United States and 60% in Canada; and
- IBI Group is progressing with the integration of the 2011 acquisitions, CRJA, CSM, CHBA, Bay, and DOWA, and the further integration of the firms acquired through 2010.

IBI Group is in various stages of negotiation with a number of firms who could add further strength to the IBI Group program in the USA, and outside North America.

Accordingly, the outlook for IBI Group for the remainder of 2012 is very encouraging:

- Commitment of new work for IBI Group continued to increase during the first quarter of 2012, replacing the $86.9 million of work completed during the quarter and adding the additional work for the future. Backlog for the next twelve months is approximately ten months, an increase from the prior quarter of Q4 2011. This backlog is based on a very wide range of substantial projects;
- The current staff complement is appropriately sized for the backlog of ongoing committed work at the professional standards of the firm, with capacity to handle the work from the significant projects that IBI Group now has full authorization to proceed. IBI Group will adjust staffing levels as necessary in respect to the pace of the work, with work on additional material projects expected to be initiated soon;
- Further acquisitions are under active pursuit and a number of new opportunities are being pursued; and
- IBI Group's lenders continue to be very supportive of IBI Group efforts. Our Banking Arrangements are committed to December 2016.
- As noted previously, the Company successfully raised $40.5 million of capital through a share issue of 2,700,000 shares at $15.00 per share. Concurrent with the Offering, the Company has completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to IBI Group Management Partnership in full satisfaction of $10 million of indebtedness owed by the Company to the Management Partnership.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended March 31 2012 Unaudited	Three months ended March 31, 2011[2] Unaudited
Revenue	$ 86,896	$ 77,785
Expenses		
Salaries, fees and employee benefits	60,551	52,988
Other operating costs (other than interest)	15,047	13,978
Other finance costs	103	289
Acquisition-related costs included in other operating costs	(208)	(218)
	75,493	67,037
Earnings before income taxes, interest and amortization (EBITDA[1])	11,403	10,748
Interest, including non-cash imputed interest[2]	3,603	3,503
Change in fair value of financial instruments and other finance costs (income)	59	(66)
Income taxes - current	1,090	1,652
Income taxes – deferred (recovery)	(138)	2,493
Amortization of property and equipment and intangible assets	2,559	2,729
Foreign exchange loss	289	218
Acquisition-related costs	208	218
Net earnings before non-controlling interest	3,733	$ 1
Non-controlling interest	1,037	-
Net earnings attributable to owners of the company	2,696	$ 1
One time non-cash tax on conversion to a corporation	-	3,131
Non-controlling interest	-	(871)
Adjusted Net Earnings	2,696	$ 2,261
Basic adjusted net earnings per share[1]	$ 0.2065	$ 0.2423
Total assets	484,513	$ 455,508

(1) See "Definition of Adjusted Net Earnings, Adjusted Net Earnings per Share, EBITDA, Distributable Cash and Non-IFRS Measures"
(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three months ended March 31, 2012.

Results of Operations

The professional services provided by the Company, focused on the four main areas of the physical development of cities and comprise the core business of the Company.

Revenue

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

For the three months ended March 31, 2012, revenue was up $9.1 million (11.7%) to $86.9 million compared to $77.8 million for the three months ended March 31, 2011.

The following table summarizes the impact of the strategic growth through acquisition and the organic growth for the three months ended March 31, 2012.

Increase in Revenue

	Three months ended March 31, 2012 vs. 2011	
	$ million	%
March 31, 2011	77.8	
Acquisition growth	4.6	5.9
Organic growth	3.9	5.1
Total revenue growth before foreign exchange	8.5	11.0
Impact of foreign exchange on revenue	0.6	0.7
Total increase in revenue	9.1	11.7
March 31, 2012	86.9	

Revenue from strategic growth through acquisitions/mergers was approximately $4.6 million (5.9%) for the three months ended March 31, 2012. This strategic growth was generated through additional revenues resulting from the acquisition/merger Bay Architects in the first quarter of 2011, and CRJA and DOWA in the third quarter of 2011. Organic growth for the three months ended March 31, 2012 was up $3.9 million (5.1%) compared with the three months ended March 31, 2011. The foreign exchange impact on revenue is accompanied by a proportionally similar impact on costs that largely offset the impact on revenue and therefore do not impact net profitability.

The overall growth in activity was accomplished through a 12.4% increase in the average number of staff from 2,579 during the three months ended March 31, 2011 to 2,900 during the three months ended March 31, 2012. The number of staff as of March 31, 2012 was 2,899, up from 2,592 as of March 31, 2011.

The revenue achieved in Q1 2012 was approximately $2 million less than expectations. This shortfall resulted from delays in; bonding for educational projects in California; the

awarding of government contracts in transportation in the UK; and start up of new commercial and retail projects in China replacing a slowdown in housing activity.

Expenses

Salaries, fees and employee benefits for the three months ended March 31, 2012 were up $7.6 million (14.3%) to $60.6 million compared with $53.0 million for the three months ended March 31, 2011. This increase was the result of the growth in staff levels and increased wages. Salaries, fees and employee benefits as a percentage of revenue for the three months ended March 31, 2012 were 69.7% compared with 68.1% for the three months ended March 31, 2011. IBI Group has continued to be committed to improve this percentage with increased productivity and could decline to the target range of 64% to 65%.

Other cash operating costs (other than interest) for the three months ended March 31, 2012 were up $1.1 million (7.6%) at $15.0 million compared with $13.9 million for the three months ended March 31, 2011. As a percentage of revenue, other operating costs (other than interest) for the three months ended March 31, 2012 were 17.3% compared with 18.0% for three months ended March 31, 2011.

Total interest expense for the three months ended March 31, 2012 was up $0.1 million (2.9%) at $3.6 million compared with $3.5 million for the three months ended March 31, 2011. Included in total interest expense for the three months ended March 31, 2012 was non-cash imputed interest expense of $0.5 million, up $0.2 million compared with $0.3 million for the three months ended March 31, 2011. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability. The increase between the first quarter of 2012 and the first quarter of 2011 is the result of the issuance of the 6.0%, $57.5 million convertible debentures in the first quarter of 2011.

Foreign exchange loss (gain) for the three months ended March 31, 2012 was a loss of $0.3 million compared with a loss of $0.2 million for the three months ended March 31, 2011. These foreign exchange gains and losses arose on the translation of certain foreign-denominated assets and liabilities held in the Company's Canadian subsidiaries. The Company works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended March 31, 2012 was down $0.1 million to $2.6 million compared with $2.7 million for the three months ended March 31, 2011.

Income taxes of the Company for three months ended March 31, 2012 were down $3.1 million to $1.0 million compared with an expense of $4.1 million for the three months ended March 31, 2011. Current tax expense for the three months ended March 31, 2012 was down $0.6 million to $1.1 million, compared with an expense of $1.7 million for the three months ended March 31, 2011. For the three months ended March 31, 2012, deferred tax recovery was $0.1 million as compared to an expense of $2.5 million over the three month period ended March 31, 2011. The decrease in deferred tax in the first quarter of 2012 when compared to the first quarter of 2011 is due to a one-time tax charge on January 1, 2011 to revalue the Company's deferred taxes using the corporation's standard tax rate.

Net Earnings, Adjusted Net Earnings[1,2], and EBITDA[1]

Net earnings of the Company of $3.7 million for the three months ended March 31, 2012 increased $3.7 million over the three months ended March 31, 2011. The March 31, 2011 results were impacted by the one-time non cash tax charge.

Adjusted Net Earnings[1,2] attributable to owners of the Company for the three months ended March 31, 2012 was $2.7 million or basic adjusted net earnings per share[1] of $0.2065 compared with $2.3 million or $0.2423 per share for the three months ended March 31, 2011.

EBITDA[1] for the three months ended March 31, 2012 was $11.4 million, up $0.7 million (6.1%) from $10.7 million for the three months ended March 31, 2011. As a percentage of revenue, EBITDA[1] for the three months ended March 31, 2012, was 13.1%, a decrease of 0.7% from the three months ended March 31, 2011 of 13.8%.

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(1) See “Definition of Adjusted Net Earnings, Adjusted Net Earnings per Share, EBITDA, Distributable Cash and Non-IFRS Measures”

(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three months ended March 31, 2012.

Distributable Cash[2]

in thousands of dollars	Three months ended March 31, 2012 (Unaudited)	Three months ended March 31, 2011 (Unaudited)
EBITDA[2]	$ 11,403	$ 10,748
Add (deduct):		
Capital expenditures	(870)	(590)
Interest paid	(3,128)	(3,115)
Income taxes paid	(1,099)	(1,203)
Distributable cash[2]	$ 6,306	$ 5,840

Reconciliation of Distributable Cash[2] to Cash Flow from Operating Activities

in thousands of dollars except for per Share amounts and ratios	Three months ended March 31, 2012 (Unaudited)	Three months ended March 31, 2011 (Unaudited)
Cash flow from (used in) operating activities	$ (10,122)	$ 3,125
Less: Capital expenditures	(870)	(590)
Standardized distributable cash	$ (10,992)	$ 2,535
Add:		
Change in non-cash operating working capital	15,711	1,217
Acquisition-related costs	208	218
Current income tax expense	1,090	1,652
Exchange loss	289	218
Distributable cash[2]	$ 6,306	$ 5,840
Weighted average basic and diluted distributable cash per Share	$ 0.3487	$ 0.3253
Aggregate of dividends and Class B partnership distributions	$ 5,615	$ 4,909
Aggregate of dividends and Class B partnership distributions per Share	$ 0.3105	$ 0.2734
Payout ratio	89.0%	84.1%

(1) See “Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures”
(2) Distributable cash per Share amounts is calculated by including both the common shares of the Company and the Class B partnership units in the denominator which is a non-IFRS measure.

In the first quarter of 2012, a dividend of $0.092 per Share was declared every month representing an annual dividend of $1.10 per Share. In addition to the above noted dividends to Shareholders, IBI Group Partnership makes a monthly distribution to the Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each Shareholder. In 2011, the Class B unitholder distribution for the month of March 2011 was postponed to ensure that the limit of 100% payout ratio was respected. The Q1 2011 payout ratio was reduced by the hold back of one month of distributions to the Management Partnership.

Liquidity and Capital Resources

The following table represents the working capital information as at March 31, 2012 compared to December 31, 2011:

in thousands of dollars	March 31, 2012 (Unaudited)	December 31, 2011	Change
Current assets	$ 273,346	$ 268,064	$ 5,282
Current liabilities	$ (81,809)	$ (91,229)	$ 9,420
Working capital	$ 191,537	$ 176,835	$ 14,702

Note: Working capital is calculated by subtracting current liabilities from current assets.

Current assets have increased by $5.2 million as at March 31, 2012 as compared with December 31, 2011. This is the result of the increase in accounts receivable of $3.7 million, increase in work in process of $3.0 million, increase in prepaid expenses and other assets of $0.6 million and no change in income tax recoverable which is offset by a decrease in cash of $2.1 million. Current liabilities have decreased $9.4 million as at March 31, 2012 as compared with December 31, 2011. The $9.4 million decrease is the result of a $7.8 million decrease in accounts payable and accrued liabilities, a $0.5 million decrease in income tax payable, a $1.1 decrease in notes payable related to acquisitions and a decrease in deferred revenues of $0.8 million offset by an increase of $0.8 million in dividends and distributions payable.

Working Capital measured in number of days of Net IBI Fee Revenue

The amount of working capital tied up in accounts receivable, work in process and deferred revenue is discussed under "Operating Highlights".

Working days of revenue outstanding	December 31, 2010	March 31, 2011 (Unaudited)	June 30, 2011 (Unaudited)	September 30, 2011 (Unaudited)	December 31, 2011	March 31, 2012 (Unaudited)
Accounts receivable	110	99	107	112	97	100
Work in process	75	79	81	87	85	87
Deferred revenue	(11)	(11)	(12)	(13)	(9)	(9)
Total	174	167	176	186	173	178

Working Capital measured in number of days of Gross IBI Fee Revenue

Included in working capital of the firm are amounts reflecting the projects costs and sub-consultant expenses. IBI 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 includes the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days measured as Days outstanding on Gross Billings which over the last two years has been approximately 25% greater than net IBI Fee volume.

Working days of gross billings outstanding	December 31, 2010	March 31, 2011 (Unaudited)	June 30, 2011 (Unaudited)	September 30, 2011 (Unaudited)	December 31, 2011	March 31, 2012 (Unaudited)
Accounts receivable	88	79	86	89	77	79
Work in process	60	63	65	69	68	70
Deferred revenue	(9)	(9)	(10)	(10)	(7)	(7)
Total	139	133	141	148	138	142

As indicated in the table above, significant progress was achieved in reducing the accounts receivable outstanding since September 30, 2011. Work in progress outstanding increased, arising from increases in the number of projects and growth of fee volume in design-build and P3 projects, with extended time frames for payment.

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

in thousands of dollars	Three months ended Mar. 31, 2012 (Unaudited)	Three months ended Mar. 31, 2011 (Unaudited)	$ Change
Cash flows from (used in) operating activities	(10,122)	3,125	(13,247)
Cash flows from (used in) financing activities	8,866	11,835	(2,969)
Cash flows from (used in) investing activities	(870)	(7,998)	7,128

Cash flow used in operations for the three months ended March 31, 2012 was $10.1 million. This compares to cash flow from operations of $3.1 million for the three months ended March 31, 2011 for a net change of $13.2 million. This is due to a change in net working capital resulting from the increase of accounts receivable and work in progress. These increases result from significant increases in the number of projects, the fee volume of projects and the increase in the number of projects that are Design Build and Design, Build and Finance (P3). Working capital also increased as a result of a decrease in accounts payable.

Cash flows from financing activities for the three months ended March 31, 2012 was $8.9 million compared with $11.8 million for the three months ended March 31, 2011. The decrease in cash from financing activities from the three months ended March 31, 2011 is primarily due to transactions in that quarter, namely net proceeds of $54.6 million for the issuance of the convertible debentures offset by a $6.0 million repayment of the advance from related party and $31.2 million repayment of term debt for a combined source of financing of $17.4 million on these three items. This compares to $16.0 million of funds provided from long term debt in the three months ended March 31, 2012. In addition, during the three months ended March 31, 2012 payments on notes payable increased $1.9 million over the three months ended March 31, 2011.

Cash flows used in investing activities for the three months ended March 31, 2012 was $0.9 million as compared to cash flows used in investing activities of $8.0 million for the three months ended March 31, 2011. Capital expenditures during the three months ended March 31, 2012 were $0.9 million compared with expenditures of $0.6 million for the same period in 2011. Investing activities included payments of $7.4 million on acquisitions during the three months ended March 31, 2011.

On July 29, 2011, the company closed a new 5 year $120.0 million credit facility (the "Revolver Facility") with an $80.0 million accordion feature. This reflects the policy of the Company to use bank debt for operating purposes and for interim financing for acquisitions. The availability of each of the credit facilities is subject to compliance with certain financial and other covenants. The credit facilities are expected to provide sufficient capital resources through which the business can continue to grow organically as well as providing for improved flexibility in the financing of future acquisitions over the terms of the facilities. See "Forward Looking Statements and Risk Factors". The credit facilities mature on July 29, 2016.

The new facility replaced the previous $150.0 million credit facility which was to mature August 31, 2012, consisting of a $10.0 million swing facility (the "Swing Facility"), an $80.0 million term facility (the "Term Facility"), and a $60.0 million revolver facility (the "Revolver Facility").

The new credit facility is a revolving facility to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at March 31, 2012, IBI Group had borrowings of $93.4 million under the Revolver Facility, compared with $77.9 million as at December 31, 2011.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 million continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at March 31, 2012, IBI Group had issued bid bonds in the amount of $4.4 million (December 31, 2011 – $4.4 million) under the Bid Bond Facility.

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 Operating Facility, the Term Facility and the Bid Bond Facility. 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.

The Company's objective in managing capital is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of long-term debt and shareholders' equity.

The Company seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the

public capital markets. The Company has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Company will then raise equity through a public offering, using the proceeds to reduce the bank debt. During the first quarter of 2011, the Company issued $57.5 million of convertible debentures.

The Company is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio, payout ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at March 31, 2012; December 31, 2011 and March 31, 2011 the Company was in compliance with all covenants under its credit facilities.

Summary of Quarterly Results

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.

in thousands of dollars except for per Unit and per Share amounts and ratios (unaudited)	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010	3rd Qtr 2010	2nd Qtr 2010
Revenue	$ 86,896	$ 87,956	$ 84,265	$ 82,301	$ 77,785	$ 75,615	$ 76,625	$ 68,971
Net Earnings (Loss)	3,733	4,165	4,242	4,247	1	18,045	(16,312)	10,613
Changes in fair value and other Finance Costs	59	313	357	189	(66)	(13,287)	20,541	(8,407)
Interest expense, net[4]	3,603	3,867	4,002	3,878	3,503	3,305	3,113	2,727
Income taxes expense (recovery)	952	3	1,006	1,285	4,145	(1,241)	972	746
Amortization of property and equipment and intangible assets	2,559	3,467	2,664	2,603	2,729	2,633	2,885	2,941
Impairment of goodwill and intangibles	-	-	-	-	-	-	-	-
Acquisition-related costs	208	416	534	402	218	182	57	655
Foreign exchange loss (gain)	289	(15)	77	65	218	250	131	(433)
Purchase price adjustment	-	-	-	-	-	1,551	-	-
Earnings before income taxes, interest and amortization (EBITDA[1])	11,403	12,216	12,882	12,669	10,748	11,438	11,387	8,842
EBITDA[1] as a percentage of Revenue	13.1%	13.9%	15.3%	15.4%	13.8%	15.1%	14.9%	12.8%
Distributable Cash[1] reconciliation								
Cash flow from (used in) operating activities	(10,122)	9,795	42	(17,585)	3,125	7,485	3,463	5,785
Less capital expenditures	(870)	(1,065)	(775)	(607)	(590)	(448)	(552)	(902)
Standardized Distributable Cash[1]	(10,992)	8,730	(733)	(18,192)	2,535	7,037	2,911	4,883
Add (deduct):								
Change in non-cash operating working capital	15,711	(3,054)	6,779	23,520	1,217	(1,290)	2,306	(265)
Acquisition-related costs	208	416	534	402	218	1,733	57	655
Current income tax expense (recovery)	1,090	426	1,503	1,548	1,652	(507)	1,959	1,079
Foreign exchange loss (gain)	289	(15)	77	66	218	250	131	(433)
Distributable Cash	6,306	6,503	8,160	7,344	5,840	7,223	7,364	5,919
Basic and diluted Distributable Cash per Share and Partnership Unit in 2011 and Units in 2010[2]	0. 3487	0. 3608	0.4530	0.4081	0.3253	0.4027	0.4111	0.3317
Basic and diluted aggregate dividends declared per Share in 2011 and per Unit in 2010	0.3105	0.3230	0.3229	0.3231	0.2734	0.3999	0.3999	0.3999
Payout ratio	89.0%	89.5%	71.3%	79.2%	84.1%	99.3%	97.3%	120.6%
Basic Adjusted Net Earnings per Share in 2011 and per Unit in 2010[3,4]	0.2065	0.2311	0.2355	0.2360	0.2423	0.2700	0.2437	0.1251
Personnel – average	2,900	2,899	2,806	2,685	2,579	2,502	2,558	2,333
Personnel – quarter end	2,899	2,901	2,843	2,764	2,592	2,484	2,534	2,547

(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"

(2) Distributable cash per Share amounts (units in 2010) are calculated by including both the common shares of the Company and the Class B partnership units in the denominator in 2011 and the Units of the Fund and the Class B partnership units of the Fund in 2010 which is a non-IFRS measure.

(3) Basic Adjusted Net Earnings per Share (Units in 2010) are calculated by including Common shares of the Company in 2011 and Units of Fund in 2010 which are non-IFRS measures.

(4) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three months ended March 31, 2012.

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 (management compensation) for the services of the 91 partners of the Management Partnership. This amount was $6.2 million for the three months ended March 31, 2012 (three months ended March 31, 2011 - $5.2 million).

- IBI Group makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. The Class B partnership unitholders are the partners of the Management Partnership. As at March 31, 2012 the amount of distributions payable to the Management Partnership was $2.0 million (As at March 31, 2011 - $1.3 million). During the first quarter of 2010, Management Partnership advanced $26.0 million to IBI Group. 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 indebtedness to its bank lender and is unsecured. The loan matures three years following the original issuance of the promissory note evidencing the loans. In February 2011, IBI Group repaid $6.0 million of the advance, with a balance of $20.0 million remaining of the advance. Subsequent to quarter ended March 31, 2012 the Company has completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to IBI Group Management Partnership in full satisfaction of $10 million of indebtedness owed by the Company to the Management Partnership.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As required by Multilateral Instrument 52-109, 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 annual filings. As part of certification, the CEO and CFO must certify that they are responsible for establishing and maintaining disclosure controls and procedures for the Company to provide reasonable assurance that material information about the Company and its subsidiaries is made known to them and that they have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings.

Disclosure controls and procedures are designed to ensure 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.

The CEO and CFO of the Company, together with management of the Company and the Company have evaluated the effectiveness of the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") with the exception of controls which were not evaluated related to CHB, Bay, CRJA and DOWA acquired during 2011 (collectively the "2011 acquisitions"). All of these acquisitions are consolidated within the results of the Company as of December 31, 2011. The 2011 acquisitions represent consolidated net assets of $0.3 million and net loss before taxes of $0.1 million. 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 CEO and CFO of the Company, together with management are collectively satisfied that, with the exception of controls related to the 2011 acquisitions and consolidated within the results of the Company as of December 31, 2011 the Company's DC&P and ICFR were adequate and effective.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on the Company's experience combined with management's understanding of current facts and circumstances. These estimates may differ from actual results, and certain estimates are considered critical, as they are both important to reflect the Company's financial position and results of operations and require significant or complex judgement on the part of management. The following is a summary of certain accounting estimates or policies considered critical by the management of the Company.

Work in Process - Work in process is valued based on the time and materials that have been charged into each particular project. The amount for each project is reviewed on a periodic basis by the financial management of the Company together with the senior management of IBI Group responsible for the project to determine whether or not the amount shown is a true

reflection of the amount that will be invoiced on the project. Where there is a determination that there are differences between the work in process for the project and the amount that can be invoiced, adjustments are made to the work in process. The valuation of the work in process involves estimates of the amount of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the over or undervaluation of work in process.

Provision for Doubtful Accounts – Estimates are used in determining the allowance for doubtful accounts related to trade receivables. These estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operations in future periods as well as accounts receivable and other operating expenses.

Goodwill – Goodwill is tested for impairment at least annually and reviewed quarterly as appropriate. This testing includes a comparison of the carrying value of cash generating units ("CGU") to the estimated fair value to ensure that the fair value is greater than the carrying value. Estimating the fair value of a CGU is a subjective process and requires the use of best estimates. If the estimates or assumptions change from those used in the current valuation, an impairment loss may be recognized in future periods.

Property, Equipment and Intangibles - Long-lived and intangible assets comprise property and equipment, customer relationships, contracts and non-competition provisions that were acquired by the Company. Amortization expense on the client relationships, contracts and non-competition provisions, which have finite lives, has been recorded in the consolidated statement of income over their estimated economic lives. Management has estimated that these items should be amortized over one to two years for contracts, three to five years for non-competition provisions and eight to ten years for client relationships.

The Company regularly reviews long-lived assets and intangible assets with finite lives when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The determination of recoverability is based on an estimate of undiscounted future cash flows, and the measurement of impairment loss is based on the fair value of the asset. To determine recoverability, we compare the estimated undiscounted future cash flows projected to be generated by these assets to their respective carrying value. In performing this analysis, we make estimates or assumptions about factors such as current and future contracts with clients, margins, market conditions, and the useful lives of assets. If our estimates or assumptions change from those used in our current analysis, we may be required to recognize an impairment loss in future periods, which would decrease our long-lived and intangible assets and increase our reported expenses.

Financial Instruments - The Company uses interest rate swaps to hedge interest rate exposures on the term credit facility. The Company's objective is to offset gains and losses resulting from interest rate exposure with losses and gains on the derivative contracts used to hedge it. The Company does not use derivative contracts for speculative purposes. To qualify as a cash flow hedge, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, which includes the

item and risk being hedged, as well as how effectiveness is assessed. The derivative used must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. If a hedge relationship is found to be ineffective, it no longer qualifies as a hedge and any excess gain or loss attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized in the results.

Accounting Developments

Recently issued but not yet adopted accounting pronouncements:

- **Disclosure of Interests in Other Entities**

  On May 12, 2011, the IASB issued IFRS 12, Disclosure *of Interests in Other Entities* ("IFRS 12") which requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Concurrent with the issuance of IFRS 12, the IASB also issued:

  - IFRS 10, *Consolidated Financial Statements* ("IFRS 10");
  - IFRS 11, *Joint Arrangements* ("IFRS 11");
  - IAS 27, *Separate Financial Statements* (revised 2011), which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and
  - IAS 28, *Investments in Associates and Joint Ventures* (revised 2011), which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

  Each of the above-mentioned standards has an effective date for annual periods beginning on or after January 1, 2013. Early adoption is permitted provided all five standards are adopted at the same time. The Company has not determined the impact, if any, of the above-mentioned standards on its financial statements.

- **Other Comprehensive Income ("OCI")**

  In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1") to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012, and will be effective for the Company's financial year ending December 31, 2013. The Company has determined that this amendment will have no impact on its financial statements.

- **Fair Value Measurement**

  In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January

1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

- **Financial Instruments**

  IFRS 9, *Financial Instruments* ("IFRS 9"), was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The new standard requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also provides for new measurement guidance for financial liabilities designated at fair value through profit or loss. In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015 and will be effective for the year ending December 31, 2015. The Company has not yet determined the impact of these standards on its financial statements.

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 (collectively, the "Company"), 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) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Company; (viii) risk of future legal proceedings against the Company; (ix) the international operations of the Company; (x) reduction in the Company's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) increased assumption by risk by the Company; (xv) limits under the Company's insurance policies; (xvi) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company's subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company's performance; (xx) the possibility that the Company may issue additional Common Shares diluting existing Shareholders' interests; and (xxi) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's annual information form for the year ended December 31, 2011. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor

or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures

Adjusted Net Earnings is equal to the Net Earnings for the period plus distributions treated as an expense and fair value adjustments on Trust Units and exchangeable interest liabilities for 2010 and a one time non-cash adjustment on conversion to a corporation for 2011.

Distributable cash is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines distributable cash as cash flow from operating activities before change in non-cash operating working capital, interest paid, income tax expense, acquisition-related costs, foreign exchange losses and after capital expenditures, foreign exchange gains, interest recovered, and income tax recovery, where applicable. Reconciliations of distributable cash to cash flow from operating activities have been provided under the headings “Distributable Cash” and “Summary of Quarterly Results”.

The Company’s method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. Management of the Company believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Common Shares.

References in this MD&A to EBITDA are to earnings before interest, income taxes, depreciation and amortization, acquisition-related costs, foreign exchange gains and losses, fund distributions treated as an expense, fair value adjustment on financial liabilities and restructuring and special charges. Management of the Company believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for dividend prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings 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. 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 EBITDA may differ from the methods used by other similar entities. Accordingly, EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net earnings to EBITDA have been provided under the headings “Selected Consolidated Financial Information” and “Summary of Quarterly Results”.