MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A is dated as of March 21, 2013. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2012, 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 infrastructure 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 the IBI Group partnership 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 16,845,451 Class A partnership units, representing 77.0% 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 23.0% of the issued and outstanding Partnership Units of IBI Group. 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, the Management Partnership holds 5,025,778 non-participating voting shares ("Non-Participating Voting Shares") of the Company which entitle it to a number of votes at meetings of shareholders of the Company equal to the number of common shares into which the Class B partnership units are exchangeable.

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 and are controlled by a person who controls a partner of the Management Partnership) together hold 4,179,059 Shares of the Company. These interests represent an interest of approximately 42.1% in the Company on a partially diluted basis, assuming the exchange of the Class B Units for Shares of the Company. There are 16,845,451 Shares issued and outstanding as at December 31, 2012 (21,871,229 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.

On April 20, 2012 the Company issued 2,700,000 common shares on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters for gross proceeds of $40.5 million.

The Company used the net proceeds from the Offering for debt reduction for acquisitions and general corporate purposes.

Concurrent with the Offering, the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to the Management Partnership in full satisfaction of $10.0 million of indebtedness owed by the Company to the Management Partnership.

Recovery Program

The recession that occurred in the fourth quarter of 2009 and its impact on the economies of the United States and Europe, impacted IBI Group initially in the housing sector, in which IBI had relatively high exposure. IBI projects in social and transportation infrastructure have also been affected. Europe continues to contract, recovery in the United States is encouraging but tentative, and a slowdown is being indicated in the Canadian economy. IBI Group, however, continues to move forward in an aggressive manner with its recovery program initiated in the second half of 2012.

The IBI Group recovery program comprises the following:

1. Reduction of the dividend by 50% to $0.55 per share and a corresponding reduction in the distributions on Class B units of IBI Group held by the Management Partnership. This was announced on December 12, 2012. Resetting of the dividend will result in reducing the cash paid out by $13 million annually. Cash retained will be primarily used to pay down debt and to enhance the profitability and the balance sheet of the Company.

2. Aligning staff levels with levels of committed work. This is an ongoing process. Compensation has been reduced in operating units that underperform and staff has been decreased by approximately 160 members in 2012 before taking into account the addition of staff through the two acquisitions in 2012.

3. The introduction of the Dividend Reinvestment Program ("DRIP")

4. An assessment that aged accounts receivable and unbilled work in process were no longer probable of recovery on a number of projects. Management determined that uncertain economic conditions, changes to local, State and Federal governing parties and policies, interruptions of projects, and other factors contributed to changes in the estimated value of these assets as at December 31, 2012. IBI Group performs assessments of the recoverability of these assets on a quarterly basis and changes estimates regularly as part of that process.

   IBI decided that with the continued economic challenges, it was appropriate to make a change in estimate. As a result, the carrying value of aged work in process and accounts receivable was impacted, resulting in adjustment items totalling $16 million. This has been provided for in the fourth quarter of 2012. While write-offs of project-related assets occur on a regular basis in the normal course of operations, Management notes that a change of this magnitude has not previously been made and at this time does not anticipate the need for changes of this amount in the future. Based on this change, IBI Group is adopting an aggressive and conservative approach. The result clears the doubtful accounts receivable and unbilled work in process that commenced at the start of the recession and has continued with subsequent impacts to date.

   The banking syndicate of IBI Group lenders granted their approval to add back to EBITDA[1] the adjustment items. As a result of the approval IBI Group's loan remains in good standing and compliant with all covenants.

5. IBI reduced goodwill related to firms it has acquired, particularly in the United States. Their operations were impacted by the slowdown in the US economy and this recognition of the impairment of goodwill reflects the value of these firms as at December 31, 2012. These firms continue to operate as an integral part of IBI Group and encouraging signs in the US economy could lead to enhancement of value as the profitability and productivity of these firms increases.

6. IBI has established two new executive leadership positions in the Company and appointed Scott Stewart and David Thom as Co-Presidents and Co-Chief Operating Officers. Both have been with IBI Group since the 1970's. Scott Stewart's emphasis is Transportation and Intelligent Systems and David Thom's emphasis is Urban Land and Facilities. IBI Group fully expects their work will continue to follow the IBI Group model of integration of the four areas of practice of IBI Group. These two executives strengthen and broaden the corporate executive leadership group of the Company led by the CEO with support and participation of the CFO.

(1) See "Definition of Non-IFRS Measures"

7. IBI Group is continuing its broad based growth strategy. The bold steps that IBI has taken provide for the strengthening of IBI to continue to grow the professional practice and business of the firm with increased profitability.

Canada

IBI is experiencing continued growth in Canadian operations, notwithstanding indications of slowdown in certain aspects of the Canadian economy. This growth, through mandates from loyal repeat clients, as well as relationships established with new clients, includes:

- the diversification of IBI's scope of practice, achieved by moving specialized personnel throughout IBI's Canadian network of offices; an example being the relocation of world experts in health care facility design from IBI – Nightingale in the UK to IBI offices across Canada;

- the penetration of IBI into additional urban areas in Canada, exemplified by the surge of IBI work in the design of a major convention centre, hotel and high-rise condominium projects in Halifax; and

- the growing role of IBI as lead planner/designer in major private and public projects, exemplified by major transportation transit and highway projects.

Canadian operations continue to be the largest and most profitable within IBI. Canadian prospects for 2013 continue to be very strong.

United States

The economic challenges in the United States have caused IBI to trim professional resources and to reduce the value of goodwill of acquired firms on a current basis in the United States. However, positive indications of anticipated growth are emerging. IBI has been given mandates to design major new plants in the automotive sector. New opportunities are emerging in residential developments in certain urban markets for which IBI has been selected as designer. Limitations on public funding for social infrastructure are encouraging government and private providers to enter into joint capital investment in social infrastructure, in healthcare and in education. IBI is working in close cooperation with major international construction contractors and financial institutions with whom IBI has performed lead design services for design-build and public private partnership/P3/PFI projects in Canada and in the United Kingdom and elsewhere. All of these are encouraging trends for a resurgence of activity in the Unites States.

IBI will grow by using its existing established broad platform of offices throughout the US market, strengthened by:

- the relocation of leading professionals from other IBI offices, (notably from the UK and Canada) to join local offices in the United States;

- additional hiring of new practice leaders local to these US based markets; and

- joint ventures with local firms to build relationships with professionals in new areas and jointly obtain new work.

International

IBI is broadening the scope of its practice in international markets. Its current focus includes:

- **United Kingdom:** Diversifying the practice of IBI in the UK by importing designers with expertise in private real estate development and transportation infrastructure from Canada into the United Kingdom; consolidating the practice in the United Kingdom and creating a more effective operating unit, as well as integration within the network of IBI operations;

- **China:** Continued growth, diversification and broadening the established practice in China. China is now experiencing increased levels of activity following the slowdown of the past two years;

- **India:** Diversifying and growing the practice in India which IBI is achieving by continuing work in the transportation sector along with recent mandates won for real estate development in housing, hotels and retail;

- **Middle East:** Continued development of IBI practices in the Middle East with major new transportation projects;

- **Central America:** Opening of operations in Central America, based in Mexico, which IBI has launched through success in winning large projects in intelligent systems and transportation;

- **Africa:** Launching the practice of IBI in South Africa through winning major projects in the national network of freeway traffic management.

Operating Highlights

While the impact of the Recovery Program has had a significant effect on current period results, Management believes that these aggressive steps will provide for enhanced performance going forward and are not indicative of the ongoing performance of the Company. Accordingly, we have presented adjusted figures as part of this MD&A. Adjusted amounts are reconciled to their closest IFRS measure later in this MD&A.

IBI reported:

- Revenue of $337.7 million compared to $332.3 million for the period ended December 31, 2011.
- EBITDA[1] of $27.3 million compared to $48.5 million for the period ended December 31, 2011.
- Net loss of $14.4 million compared to net income of $12.7 million for the period ended December 31, 2011.

Results for the year ended 2012 were affected by the following adjustment items of note below:

(1) See “Definition of Non-IFRS Measures”

- Write down of unbilled WIP of $12.6 million.
- Write down of accounts receivable of $3.4 million.
- Impairment of goodwill of $14.5 million.

Excluding the adjustment items IBI reported:

- Adjusted revenue of $350.3 million compared to $332.3 million for the period ended December 31, 2011.
- Adjusted EBITDA[1] of $43.3 million compared to $48.5 million for the period ended December 31, 2011.
- Adjusted net income of $12.4 million compared to $12.7 million for the period ended December 31, 2011.

The highlights excluding the adjustment items are:

- Adjusted revenue at $350.3 million for the year ended December 31, 2012 was up $18.0 million compared to $332.3 million for the year ended December 31, 2011. On a quarterly basis, adjusted revenue for the fourth quarter of 2012 was $88.1 million, up $0.1 million compared to the fourth quarter of 2011, up $1.3 million compared to the third quarter of 2012, down $0.5 million compared to the second quarter of 2012 which was the highest quarterly revenue, and up $1.2 million compared to the first quarter of 2012.

- Adjusted EBITDA[1] of $43.3 million for the year ended December 31, 2012 was down $5.2 million compared to $48.5 million for the year ended December 31, 2011. On a quarterly basis, adjusted EBITDA[1] for the fourth quarter of 2012 of $10.5 million was down $1.7 million compared to the fourth quarter of 2011, up $1.1 million compared to the third quarter of 2012, down $1.5 million compared to the second quarter of 2012 and down $0.9 million compared to the first quarter of 2012.

- Adjusted EBITDA[1] as a percentage of adjusted revenue for the year ended December 31, 2012 was 12.4%, down 2.2% compared to 14.6% for the year ended December 31, 2011. On a quarterly basis, adjusted EBITDA[1] as a percentage of adjusted revenue for the fourth quarter of 2012 was 11.9%, down 2.0% compared to the fourth quarter of 2011, up 1.1% compared to the third quarter of 2012, down 1.7% compared to the second quarter of 2012 and down 1.2% compared to the first quarter of 2012.

- Adjusted basic and diluted earnings per share ("EPS")[1] for the year ended December 31, 2012 was $0.5962, down $0.2812 compared to adjusted EPS[1] of $0.8774 for the year ended December 31, 2011. On a quarterly basis, adjusted EPS[1] for the fourth quarter of 2012 was $0.0118, down $0.2193 compared to EPS[1] of $0.2311 for the fourth quarter of 2011, down 0.1132 compared to EPS[1] of $0.1250 for the third quarter of 2012, down $0.2681 compared to EPS[1] of $0.2799 for the second quarter of 2012 and down $0.1947 compared to EPS[1] of $0.2065 for the first quarter of 2012.

- Adjusted distributable cash[1] of $22.9 million for the year ended December 31, 2012 was down $4.9 million compared to the year ended December 31, 2011 of $27.8 million. On a quarterly basis, adjusted distributable cash[1] of $5.1 million for the quarter ended December 31, 2012 was down $1.4 million compared to the fourth quarter of 2011, up $0.3 million compared to the third quarter of 2012, down $1.5 million compared to the second quarter of 2012 and down $1.2 million compared to the first quarter of 2012.

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(1) See "Definition of Non-IFRS Measures"

- The payout ratio[1] for the year ended December 31, 2012 was 88.9%, up from 80.3% for the year ended December 31, 2011. The payout ratio[1] for the quarter ended December 31, 2012 was 83.9%, down from 89.5% for the fourth quarter of 2011, down from 94.5% for the third quarter of 2012, down from 88.6% for the second quarter of 2012 and down from 89.0% for the first quarter of 2012.

Efforts focused on improving free cash flow[1] by enhanced collection of accounts receivable. In the second half of 2012, the total reduction of accounts receivable aged over 90 days totalled $8.9 million of which $3.4 million is from the accounts receivable adjustment item and $5.5 million is from on-going collections. The percentage of accounts aged greater than 90 days now represents 41.2% of the total accounts receivable balance, down from 47.9% and 49.8% from December 2011 and March 2012 respectively. IBI reports the working capital tied up (accounts receivable, work in process and deferred revenue) in terms of gross billings per day. The current level of the working capital tied up measured in gross billings is 139 days at December 31, 2012 down from the peak of 156 days at the end of the second quarter 2010. The total reduction is 17 days which is comprised of an 11 day reduction due to the impact of the $16.0 million adjustment items on unbilled work in process and accounts receivable and a decrease of the equivalent of 6 days as Management continues its commitment to reduce the total working capital tied up and to enhance free cash flow[1].

IBI Group will continue to focus our efforts to reduce accounts receivable as was achieved in the second half of 2012, and to grow the Company so as to increase revenue and earnings leading to the gradual reduction of the payout ratio[1].

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

The basic objective of IBI Group is to continue 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 expertise. 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 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;

2) Intelligence on human senses and interaction with infrastructure and the built urban environment;

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

(1) See "Definition of Non-IFRS Measures"

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 IBI Group's 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. Organic growth is the long term core of IBI Group's growth. IBI Group has achieved organic growth. Organic growth in the year ended December 31, 2012 was 0.7%, notwithstanding organic growth contraction of 3.9% in the fourth quarter of 2012, demonstrating the continuing recovery from the recession that impacted operations in the fourth quarter of 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. In the third quarter of 2012 IBI Group acquired the practice of Taylor Young Limited Architects and Master Planners ("Taylor Young") now continuing as IBI Taylor Young. In the fourth quarter of 2012 IBI Group acquired the practice of M•E Companies, Inc. ("M•E Companies") now continuing as M•E/IBI Group. 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 US 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; and in the new methods of delivery in Design Build ("DB") and Private Finance Initiative ("PFI"), and/or Public Private Partnerships ("P3").

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 2013, to 113 partners and associate partners including the election of a net additional 22 over the 91 partner at the end of 2012. These partners are compensated through management compensation, and receive dividends and distributions through their ownership interests in 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 113 partners, as of March 20, 2013, has grown to a scale that requires the clustering of the partners within geographic regions/and or functional areas of excellence to perform effectively. The top leadership of the Management Partnership consists of the chairman partner and CEO, the two managing partners, and five operating partners forming an executive group of 8 senior partners. Four of the five operating partners 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, 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.

As noted above in point 6 of the Recovery Program the two managing partners, Scott Stewart and David Thom, have now been appointed to the positions of Co-Presidents and Co-COO's. This will further strengthen the corporate management group for more effective business performance.

Strategic Program of Growth

On August 3, 2012, IBI closed the acquisition of the practice of Taylor Young Limited Architects and Master Planners ("Taylor Young") within the IBI Group of Firms. Taylor Young is a full services architectural practice including professional skills in urban planning and design and landscape architecture, based in Manchester, UK with offices in Liverpool and London. The firm has a strong reputation in the design of facilities in healthcare, education, housing, as well as urban planning/design and landscape design for a broad range of clients. The firm is highly experienced in sustainability of design integrated with such facilities. This acquisition will further enhance IBI's professional strength in the UK market as well as contribute to the growing strength of the global practice of the firm in health and education. Professional experience in urban planning and urban design, as well as in landscape architecture and in the architecture of housing in the UK, will broaden the current areas of practice of the IBI capabilities in the UK. Taylor Young has a very broad range of clients in the public sector with over 70% of the business gained on a repeat basis with long established client relationships. The firm has approximately 100 staff members and is well managed with profitable operations and a strong backlog of committed work.

In the recent years IBI has achieved major strategic growth in the UK. IBI initiated operations in the UK in the early 1990's and established through organic growth, a presence in intelligent systems applied to transportation and communications. This practice was involved recently in traffic control planning and management for the London Olympics. More recently, IBI acquired the firm of Nightingale, architects with an international reputation as a centre of excellence in the planning and design of hospitals and other health care facilities, and now more recently in the third quarter of 2012, the acquisition of Taylor Young.

On November 1, 2012 IBI closed the acquisition of the practice of M•E Companies, Inc., a professional management and engineering firm in Ohio, USA. M•E Companies, established in 1973, is a full-service civil engineering firm with expertise in comprehensive management, engineering design, surveying, and construction services. The firm applies these professional skills to transportation infrastructure, water and wastewater systems, and land development.

M•E Companies is based in Columbus, Ohio, with offices in the Canton and Cincinnati areas. The firm has a strong reputation and standing with the Ohio Department of Transportation in the engineering design of transportation facilities, as well as safety programs; a broad practice in water and wastewater systems for municipalities and counties; and land development activity for many public and private clients.

The US continues to be the largest economy in the world and as such IBI will continue to focus on building our US business. IBI Group will continue to pursue existing areas of practise 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 US, 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 US recovers.

The basic model of IBI is to initiate its presence through organic growth in geographic regions in which IBI believes it can effectively provide its professional services in the four broad areas of practice. Following that initial organic growth creating an initial core group, IBI then accelerates the growth through strategic acquisitions as has now been largely accomplished in Canada and the UK.

IBI will similarly consider acquisitions/alliances in other international markets including China, India, Eastern Europe, Brazil and Mexico. Similarly to Canada and the UK, the long-term growth in these emerging markets for IBI will be based on continuing organic growth on top of the expanded base achieved through strategic growth. In longer term, that will place IBI in a sustainable model of generating additional net fee revenues, income and cash earned through continuing organic growth on a global platform and mitigate the requirement for significant amounts of additional capital for financing strategic growth. In the fourth quarter of 2012 IBI Group succeeded in securing significant new projects in international markets.

Major Projects

IBI Group continued in the fourth quarter of 2012 to expand its capability.

- 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 the major project for traffic management in South Africa, the major toll project in Mexico and numerous other prospects;
- IBI has invested efforts in software development in conjunction with work on real projects for clients of the firm. These investments in intangible assets add considerable

value to the IBI business by keeping the firm ahead in quality and capability. IBI retains ownership of these assets.

- The growth in major transportation projects in which IBI Group was mandated with a 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; and the IBI scope is extending as contract negotiations are advanced for the continuation of the work over the ensuing years. Other examples include the selection of IBI for LRT Stations in Ottawa and the selection of IBI for a major transportation/land use planning assignment in the Saudi Kingdom.
- The growth in the private sector work in real estate and industrial developments, which continues to be strong in major Canadian urban areas, in Montreal, Toronto, Calgary, Edmonton and Vancouver. IBI Group in 2012 has been mandated with a surge of projects in the Halifax urban area; private sector work is now starting to increase in the United States in automotive and other industrial projects and in real estate, including housing and retail. Activity is increasing again in China;
- 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 2,930 members of the firm, compared to 2,901 as at December 31, 2011. When excluding the members who joined in 2012 through acquisitions, the number of members as at December 31, 2012 decreased by approximately 160 members compared to December 31, 2011. With the overall growth in personnel and professional excellence, IBI Group increasingly is awarded leading professional and managerial roles for proponents and owners of development projects.

The scope of these efforts is validation of IBI Group’s integrated operating model of providing comprehensive professional services to clients in Canada, the US and international markets.

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 approach of diversity and resilience of IBI Group as follows:

- Practise Diversity;
- Global Platform;
- Public/Private Clients;
- Diversity of Clientele.

Based on this model, IBI’s resilience is demonstrated by the following factors:

- Committed fee volume for the ensuing 12 months is equivalent to approximately ten months of work. (Based on the current pace of work that IBI Group has achieved during the last twelve months ended December 31, 2012.) Backlog for government and public institutional clients now represents approximately 65% of total backlog. Backlog continues to be very strong 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 for 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 17% of fee volume for projects outside of North America and 23% for the United States and 60% in Canada which is generally consistent with the distribution of revenue earned in the year; and

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 US. Accordingly, the outlook for IBI Group for 2013 is encouraging.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Three months ended December 31, 2012 (Unaudited)	Year ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Year ended December 31, 2012 (Unaudited)
Revenue	$ 75,464	$ 12,600	$ 88,064	$ 337,727	$ 12,600	$ 350,327
Expenses						
Salaries, fees and employee benefits	60,285	-	60,285	244,060	-	244,060
Other operating costs (other than interest)	20,724	(3,400)	17,324	66,842	(3,400)	63,442
Other finance costs[1]	66	-	66	278	-	278
Fair value of deferred share plan	307	-	307	307	-	307
Acquisition-related costs[1] included in other operating costs	(406)	-	(406)	(1,081)	-	(1,081)
	80,976	(3,400)	77,576	310,406	(3,400)	307,006
Earnings before income taxes, interest and amortization (EBITDA[1])	(5,512)	16,000	10,488	27,321	16,000	43,321
Interest	3,328	-	3,328	13,578	-	13,578
Change in fair value of financial instruments and other finance costs[1]	(236)	-	(236)	(119)	-	(119)
Income taxes – current	535	3,337	3,872	3,184	3,337	6,521
Income taxes – deferred	(3,617)	360	(3,257)	(4,678)	360	(4,318)
Amortization of property and equipment and intangible assets	5,896	-	5,896	13,479	-	13,479
Impairment of goodwill	14,483	(14,483)	-	14,483	(14,483)	-
Foreign exchange loss	221	-	221	725	-	725
Acquisition-related costs[1]	406	-	406	1,081	-	1,081
Earnings before non-controlling interest	$ (26,528)	$ 26,786	$ 258	$ (14,412)	$ 26,786	$ 12,374
Non-controlling interest	(6,571)	6,631	60	(3,528)	6,631	3,103
Net Earnings	$ (19,957)	$ 20,155	$ 198	$ (10,884)	$ 20,155	$ 9,271
Basic and diluted net earnings per share[1]	$ (1.1861)		$ 0.0118	$ (0.7000)		$ 0.5962
Total assets	$ 467,043		$ 467,043	$ 467,043		$ 467,043

(1) See "Definition of Non-IFRS Measures"

Selected Consolidated Financial Information Excluding Adjustment items

in thousands of dollars except for per share amounts	Adjusted Three months ended December 31, 2012 (Unaudited)	Three months ended December 31, 2011 (Unaudited)	Adjusted Year ended December 31, 2012	Year ended December 31, 2011
Revenue	$ 88,064	$ 87,956	$ 350,327	$ 332,307
Expenses				
Salaries, fees and employee benefits	60,285	57,952	244,060	223,218
Other operating costs (other than interest)[1]	17,324	18,109	63,442	61,434
Other finance costs[1]	66	95	278	710
Fair value of deferred share plan	307	-	307	-
Acquisition-related costs[1] included in other operating costs	(406)	(416)	(1,081)	(1,570)
	77,576	75,740	307,006	283,792
Earnings before income taxes, interest and amortization (EBITDA[1])	10,488	12,216	43,321	48,515
Interest	3,328	3,867	13,578	15,250
Change in fair value of financial instruments and other finance costs[1]	(236)	313	(119)	792
Income taxes – current	3,872	426	6,521	5,129
Income taxes – deferred	(3,257)	(423)	(4,318)	1,310
Amortization of property and equipment and intangible assets	5,896	3,467	13,479	11,463
Foreign exchange loss	221	(15)	725	346
Acquisition-related costs[1]	406	416	1,081	1,570
Earnings before non-controlling interest	$ 258	$ 4,165	$ 12,374	$ 12,655
Non-controlling interest	60	1,161	3,103	3,531
Earnings attributable to owners of the company	$ 198	$ 3,004	$ 9,271	$ 9,124
Non-cash tax on conversion to a corporation	-	-	-	3,131
Proportion of earnings attributable to Class B Partnership Units	-	-	-	(874)
Adjusted Net Earnings[1]	$ 198	$ 3,004	$ 9,271	$ 11,381
Basic and diluted adjusted net earnings per share[1]	$ 0.0118	$ 0.2311	$ 0.5962	$ 0.8774
Total assets	$ 467,043	$ 481,859	$ 467,043	$ 481,859

(1) See "Definition of Non-IFRS Measures"

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 year ended December 31, 2012, revenue was up $5.4 million (1.6%) to $337.7 million compared to $332.3 million for the year ended December 31, 2011. For the three months ended December 31, 2012, revenue was down $12.5 million (14.2%) to $75.5 million compared to $88.0 million for the three months ended December 31, 2011. Revenue for the fourth quarter and the year end December 31, 2012 was impacted by the $12.6 million adjustment item to work in process.

For the year ended December 31, 2012, adjusted revenue[1] was up $18.0 million (5.4%) to $350.3 million compared to $332.3 million for the year ended December 31, 2011. For the three months ended December 31, 2012, adjusted revenue[1] was up $0.1 million (0.1%) to $88.1 million compared to $88.0 million for the three months ended December 31, 2011.

Adjusted revenue[1] for the unaudited three months ended December 31, 2012 exceeded that of the three months ended September 30, 2012 by $1.3 million.

Increase in Revenue

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

	Three months ended December 31, 2012 vs. 2011		Year ended December 31, 2012 vs. 2011	
	$ million	%	$ million	%
December 31, 2011	88.0		332.3	
Strategic growth	3.7	4.2	14.0	4.2
Organic growth	(3.4)	(3.9)	2.3	0.7
Total growth before foreign exchange	0.3	0.3	16.3	4.9
Impact of foreign exchange	(0.2)	(0.2)	1.7	0.5
Total increase in adjusted revenue[1]	0.1	0.1	18.0	5.4
Adjusted Revenue[1] December 31, 2012	88.1		350.3	
Adjustment Items	(12.6)	(14.3)	(12.6)	(3.7)
Revenue December 31, 2012	75.5	(14.2)	337.7	1.7

Revenue from strategic growth through acquisitions/mergers was approximately $3.7 million (4.2%) for the three months ended December 31, 2012 and $14.0 million (4.2%) for the year ended December 31, 2012. This strategic growth for the year ended December 31, 2012 was

(1) See “Definition of Non-IFRS Measures”

generated through additional revenues resulting from the acquisition/merger of Taylor Young in the third quarter of 2012 and M•E Companies Inc. in the fourth quarter of 2012. Organic growth for the three months ended December 31, 2012 was down $3.4 million (3.9%) compared to the three months ended December 31, 2011 and up $2.3 million (0.7%) for the year ended December 31, 2012. 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 5.1% increase in the average number of staff from 2,730 during 2011 to 2,873 during 2012. The number of staff as of December 31, 2012 was 2,852, down from 2,901 as of December 31, 2011.

Expenses

Salaries, fees and employee benefits for the three months ended December 31, 2012 were up $2.3 million (4.0%) to $60.3 million compared to $58.0 million for the three months ended December 31, 2011. For the year ended December 31, 2012, salaries, fees and employee benefits were up $20.9 million (9.4%) to $244.1 million compared to $223.2 million for the year ended December 31, 2011. This increase was the result of the growth in staff levels due to the acquisitions made in 2012 and 2011 and compensation increases. Salaries, fees and employee benefits as a percentage of adjusted revenue for the three months ended December 31, 2012 were 68.5% compared to 65.9% for the three months ended December 31, 2011. For the year ended December 31, 2012, salaries, fees and employee benefits as a percentage of adjusted revenue were 69.7% compared to 67.2% for the year ended December 31, 2011. IBI Group will strive to improve this percentage with increased productivity to seek to achieve the target range of 64% to 65%.

Other operating costs (other than interest)[1] for the three months ended December 31, 2012 were up $2.6 million (14.4%) at $20.7 million compared to $18.1 million for the three months ended December 31, 2011. For the year ended December 31, 2012, other operating costs (other than interest)[1] were up $5.4 million (8.8%) to $66.8 million compared to $61.4 million for the year ended December 31, 2011. The increase for the three and twelve months ended December 31, 2012 is due to the $3.4 million adjustment items to accounts receivable.

Adjusted other operating expenses for the three months ended December 31, 2012 were down $0.8 million (4.4%) at $17.3 million compared to $18.1 million for the three months ended December 31, 2011. For the year ended December 31, 2012, adjusted other operating costs (other than interest)[1] were up $2.0 million (3.3%) to $63.4 million compared to $61.4 million for the year ended December 31, 2011. As a percentage of adjusted revenue[1], adjusted other operating costs (other than interest)[1] for the three months ended December 31, 2012 were 19.7% compared with 20.6% for three months ended December 31, 2011. For the year ended December 31, 2012, adjusted other operating costs (other than interest)[1] as a percentage of adjusted revenue[1] were 18.1% compared to 18.5% for the year ended December 31, 2011.

Total interest expense for the three months ended December 31, 2012 was down $0.6 million (13.9%) at $3.3 million compared to $3.9 million for the three months ended December 31, 2011. Total interest expense for the year ended December 31, 2012 was down $1.7 million (11.1%) at $13.6 million compared to $15.3 million for the year ended December 31, 2011.

(1) See "Definition of Non-IFRS Measures"

Included in total interest expense for the three months ended December 31, 2012 was non-cash imputed interest expense of $0.5 million, consistent with $0.5 million for the three months ended December 31, 2011. For the year ended December 31, 2012 the non-cash imputed interest expense was $2.0 million, up $0.3 million compared to $1.7 million for the year ended December 31, 2011. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

Foreign exchange loss for the three months ended December 31, 2012 was a loss of $0.2 million compared to a gain of $0.1 million for the three months ended December 31, 2011. For the year ended December 31, 2012, there was a foreign exchange loss of $0.7 million compared to a $0.3 million loss for the year ended December 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 December 31, 2012 was up $2.5 million to $5.9 million compared to $3.4 million for the three months ended December 31, 2011. For the year ended December 31, 2012, amortization was up $2.0 million to $13.5 million compared to $11.5 million for the year ended December 31, 2011. Amortization for the three months ended December 31, 2012 on client relationships, contracts, non-competition provisions and development costs was $5.0 million compared to $2.4 million for the three months ended December 31, 2011. For the year ended December 31, 2012, amortization expense on client relationships, contracts, non-competition provisions and development costs was $10.1 million compared to $7.9 million for the year ended December 31, 2011.

Income taxes of the Company for the three months ended December 31, 2012 decreased $3.1 million to a $3.1 million recovery compared to the three months ended December 31, 2011. For the year ended December 31, 2012, income taxes were down $7.9 million to a recovery of $1.5 million compared to an expense of $6.4 million for the year ended December 31, 2011. Current tax expense for the three months ended December 31, 2012 was up $0.1 million to $0.5 million, compared to an expense of $0.4 million for the three months ended December 31, 2011. For the year ended December 31, 2012, current tax expense was down $1.9 million to $3.2 million compared to $5.1 million for the year ended December 31, 2011. For the three months ended December 31, 2012, deferred tax recovery was $3.6 million as compared to a deferred tax recovery of $0.4 million over the three month period ended December 31, 2011. For the year ended December 31, 2012, deferred tax expense decreased by $6.0 million to a $4.7 million recovery from a deferred tax expense of $1.3 million for the year ended December 31, 2011. The decrease in deferred tax in the first year ended 2012 when compared to the year ended 2011 was due to a $3.1 million tax charge on January 1, 2011 to revalue the Company's deferred taxes using the corporation's standard tax rate and the reversal of valuation allowances previously recognized on loss carry forward tax pools.

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

Actual net earnings attributable to the owners of the Company for the three months ended December 31, 2012 decreased $23.0 million to a net loss of $20.0 million over the three months ended December 31, 2011. For the year ended December 31, 2012 net loss attributable to the owners of the Company of $10.9 million compared to net earnings attributable to the owners

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(1) See "Definition of Non-IFRS Measures"

of the Company $9.1 million for the year ended December 31, 2011. The results for the year ended December 31, 2011 were impacted by the $3.1 million non cash tax charge.

Adjusted net earnings[1] attributable to owners of the Company for the three months ended December 31, 2012 was $0.2 million or basic and diluted adjusted EPS[1] of $0.0118 compared to $3.0 million or $0.2311 per share for the three months ended December 31, 2011. For the year ended December 31, 2012, basic and diluted adjusted net earnings[1] attributable to owners of the Company for the year ended December 31, 2012 was $9.3 million or basic and diluted adjusted EPS[1] of $0.5962 compared to $9.1 million or $0.8774 per share for the year ended December 31, 2011. Adjusted net earnings[1] attributable to the owners of the Company for the year ended December 31, 2011 was calculated by adding back the non-cash deferred tax charge of $3.1 million associated with the conversion to a corporation net of amount attributable to non-controlling interest.

Adjusted EBITDA[1] for the three months ended December 31, 2012 was $10.5 million, down $1.7 million from $12.2 million for the three months ended December 31, 2011. Adjusted EBITDA[1] for the year ended December 31, 2012 was $43.3 million, down $5.2 million from $48.5 million for the year ended December 31, 2011. As a percentage of adjusted revenue[1], adjusted EBITDA[1] for the three months ended December 31, 2012, was 11.9%, a decrease of 2.0% from the three months ended December 31, 2011 of 13.9%. As a percentage of adjusted revenue[1], adjusted EBITDA[1] for the year ended December 31, 2012, was 12.4%, a decrease of 2.2% from the year ended December 31, 2011 of 14.6%.

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(1) See "Definition of Non-IFRS Measures"

Distributable Cash[1]: Impact of adjustment items

in thousands of dollars	Three months ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Three months ended December 31, 2012 (Unaudited)	Year ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Year ended December 31, 2012 (Unaudited)
EBITDA[1]	$ (5,512)	$ 16,000	$ 10,488	$ 27,321	$ 16,000	$ 43,321
(Deduct):						
Capital expenditures	(721)	-	(721)	(2,876)	-	(2,876)
Interest paid	(2,820)	-	(2,820)	(11,611)	-	(11,611)
Income taxes paid	(1,820)	-	(1,820)	(5,886)	-	(5,886)
Distributable cash[1]	$ (10,873)	$ 16,000	$ 5,127	$ 6,948	$ 16,000	$ 22,948

in thousands of dollars except for per Share amounts and ratios	Three months ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Three months ended December 31, 2012 (Unaudited)	Year ended December 31, 2012 (Unaudited)	Adjustment items (Unaudited)	Adjusted Year ended December 31, 2012 (Unaudited)
Cash flow from (used in) operating activities	$ 1,456	$ -	$ 1,456	$ (3,484)	$ -	$ (3,484)
Less: Capital expenditures	(721)	-	(721)	(2,876)	-	(2,876)
Standardized distributable cash[1]	$ 735	$ -	$ 735	$ (6,360)	$ -	$ (6,360)
Add (deduct):						
Change in non-cash operating working capital	(12,770)	12,663	(107)	8,318	12,663	20,981
Acquisition-related costs[1]	406	-	406	1,081	-	1,081
Current income tax expense	535	3,337	3,872	3,184	3,337	6,521
Foreign exchange loss	221	-	221	725	-	725
Distributable cash[1]	$ (10,873)	$ 16,000	$ 5,127	$ 6,948	$ 16,000	$ 22,948
Weighted average basic and diluted distributable cash per Share[2]	$ (0.4976)	$ 0.7322	$ 0.2346	$ 0.3947	$ 0.7322	$ 1.1269
Aggregate of dividends and Class B partnership distributions	$ 4,435	$ -	$ 4,435	$ 22,547	$ -	$ 22,547
Dividends and Class B partnership distributions issued under DRIP[3]	(132)	-	(132)	(2,142)	-	(2,142)
Net dividends and Class B partnership distributions	$ 4,303	$ -	$ 4,303	$ 20,405	$ -	$ 20,405
Aggregate of dividends and Class B partnership distributions per Share	$ 0.1969	$ -	$ 0.1969	$ 0.9960	$ -	$ 0.9960
Payout ratio[1]	(39.6)%		83.9%	293.7%		88.9%

(1) See "Definition of 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.

(3) During the third quarter of 2012, the Company issued 215,000 common shares from treasury at $9.37 per share for a total of $2,010 under the dividend reinvestment and share purchase plan ("DRIP"). During the fourth quarter of 2012, the Company issued common shares from treasury for a total of $132 under the DRIP.

Adjusted Distributable Cash[1]

in thousands of dollars	Three months ended December 31, 2012 (Unaudited)	Three months ended December 31, 2011 (Unaudited)	Year ended December 31, 2012	Year ended December 31, 2011
Adjusted EBITDA[1]	$ 10,488	$ 12,216	$ 43,321	$ 48,515
(Deduct):				
Capital expenditures	(721)	(1,065)	(2,876)	(3,037)
Interest paid	(2,820)	(3,404)	(11,611)	(13,499)
Income taxes paid	(1,820)	(1,244)	(5,886)	(4,132)
Adjusted Distributable cash[1]	$ 5,127	$ 6,503	$ 22,948	$ 27,847

Reconciliation of Distributable Cash[1] to Cash Flow from Operating Activities

in thousands of dollars except for per Share amounts and ratios	Three months ended December 31, 2012 (Unaudited)	Three months ended December 31, 2011 (Unaudited)	Year ended December 31, 2012	Year ended December 31, 2011
Cash flow from (used in) operating activities	$ 1,456	$ 7,431	$ (3,484)	$ (4,835)
Less: Capital expenditures	(721)	(1,065)	(2,876)	(3,037)
Standardized distributable cash[1]	$ 735	$ 6,366	$ (6,360)	$ (7,872)
Add (deduct):				
Change in non-cash operating working capital	(107)	(691)	20,981	28,674
Acquisition-related costs[1]	406	416	1,081	1,570
Current income tax expense	3,872	427	6,521	5,129
Foreign exchange loss	221	(15)	725	346
Adjusted Distributable cash[1]	$ 5,127	$ 6,503	$ 22,948	$ 27,847
Weighted average basic and diluted distributable cash per Share[2]	$ 0.2346	$ 0.3608	$ 1.1269	$ 1.5473
Aggregate of dividends and Class B partnership distributions	$ 4,435	$ 5,822	$ 22,547	$ 22,362
Dividends and Class B partnership distributions issued under DRIP[3]	(132)	-	(2,142)	-
Net dividends and Class B partnership distributions	$ 4,303	$ 5,822	$ 20,405	$ 22,362
Aggregate of dividends and Class B partnership distributions per Share	$ 0.1969	$ 0.3230	$ 0.9960	$ 1.2426
Payout ratio[1]	83.9%	89.5%	88.9%	80.3%

(1) See "Definition of 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.

(3) During the third quarter of 2012, the Company issued 215,000 common shares from treasury at $9.37 per share for a total of $2,010 under the dividend reinvestment and share purchase plan ("DRIP"). During the fourth quarter of 2012, the Company issued common shares from treasury for a total of $132 under the DRIP.

In the each 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 unitholders equal to the dividend per share (on a pre-tax basis) declared to each Shareholder. In the second quarter of 2012 one month of the Class B unitholder distributions were withheld. During the third quarter of 2012 the full three months of Class B unitholder distributions of $2.0 million were paid in the form of stock under the dividend reinvestment and share purchase plan ("DRIP"). In 2011, the Class B unitholder distribution for the month of March 2011 was postponed. In 2011, the March distribution was paid evenly in the third and fourth quarter of 2011.

Liquidity and Capital Resources

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

(in thousands of dollars)	December 31, 2012	December 31, 2011	Change
Current assets	$ 266,293	$ 267,044	$ (751)
Current liabilities	$ (77,502)	$ (91,265)	$ 13,763
Working capital	$ 188,791	$ 175,779	$ 13,012

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

The banking syndicate agreed to an amendment to the fixed charge ratio to 1.05 for the period ending December 31, 2012, 1.0 for the period ending March 31, 2013 and 1.1 thereafter. For the year ended December 31, 2012 an adjustment to EBITDA for up to $16 million was also allowed.

Current assets have decreased by $0.8 million as at December 31, 2012 as compared with December 31, 2011. This is the result of the increase in accounts receivable of $7.4 million, decrease in work in process of $6.2 million, a decrease in prepaid expenses and other assets of $1.2 million, an increase in income tax recoverable of $1.7 million and a decrease in cash of $2.4 million. Current liabilities have decreased by $13.8 million as at December 31, 2012 as compared with December 31, 2011. The decreases in current liabilities was comprised of decreases in accounts payable and accrued liabilities of $6.9 million, income tax payable of $1.8 million, notes payable related to acquisitions of $2.1 million, deferred revenues of $2.5 million and dividends and distributions payable of $1.2 million.

Working Capital measured in number of days of Gross Fee Revenue

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

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

The table below calculates working days 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, 2011	March 31, 2012 (Unaudited)	June 30, 2012 (Unaudited)	September 30, 2012 (Unaudited)	December 31, 2012
Accounts receivable	77	79	82	77	80
Work in process	68	70	71	75	65
Deferred revenue	(7)	(7)	(6)	(5)	(6)
Total	138	142	147	147	139

Working days of gross billings outstanding in accounts receivable as at December 31, 2012 has increased by 3 days as compared to December 31, 2011. Work in process outstanding at the end of 2012 has decreased 3 days compared to 2011, arising from the decrease of 9 days due to the adjustment items and increases in the number of projects and growth of fee volume in design-build and P3 projects, with extended time frames for billing and payment. The table below illustrates the increase in accounts receivable since the first quarter of 2012 in accounts outstanding less than 90 days. Accounts outstanding over 90 days as at the fourth quarter have decreased since the first and second quarters of 2012, both in percentage and absolute dollars and increased slightly from the third quarter.

Accounts Receivable Aging *in thousands of dollars*	Dec. 31, 2011 (Unaudited)	%	March 31, 2012 (Unaudited)	%	June 30, 2012 (Unaudited)	%	September 30, 2012 (Unaudited)	%	December 31, 2012	%
Current	38,533	28	41,493	30	40,549	28	44,577	33	46,707	33
30 to 90 days	31,717	24	28,106	20	35,827	25	30,917	22	36,929	26
Over 90 days (net of allowance)	64,529	48	68,940	50	67,442	47	60,944	45	58,532	41
Total	134,779	100	138,539	100	143,818	100	136,438	100	142,168	100

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 December 31, 2012 (Unaudited)	Three months ended December 31, 2011 (Unaudited)	$ Change
Cash flows from operating activities	1,456	7,433	(5,977)
Cash flows from(used in) financing activities	471	(8,080)	8,551
Cash flows (used in) from investing activities	(3,483)	446	(3,929)

in thousands of dollars	Year ended December 31, 2012	Year ended December 31, 2011	$ Change
Cash flows (used in) operating activities	(3,484)	(4,835)	1,351
Cash flows from financing activities	8,287	15,384	(7,097)
Cash flows (used in) investing activities	(6,895)	(12,040)	5,145

Cash flows provided by operations for the three months ended December 31, 2012 were $1.5 million compared to cash flows from operations of $7.4 million for the three months ended December 31, 2011 for a net change of $6.0 million

For the year ended December 31, 2012, cash used in operations was $3.5 million. This compares to cash used in operations of $4.8 million for the year ended December 31, 2011 for a net change of $1.4 million. Cash used in operations is due to changes in net working capital resulting from the increase of accounts receivable and work in process. 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 December 31, 2012 were $0.5 million compared with $8.1 million used in financing activities for the three months ended December 31, 2011. For the year ended December 31, 2012, cash flows from financing activities were $8.3 million compared to $15.4 million for the year ended December 31, 2011.

Cash flows used in investing activities for the three months ended December 31, 2012 were $3.5 million as compared to cash flows from investing activities of $0.4 million for the three months ended December 31, 2011. Capital expenditures during the three months ended December 31, 2012 were $0.7 million compared with expenditures of $1.1 million for the same period in 2011. For the year ended December 31, 2012, cash flows used in investing activities were $6.9 million as compared to $12.0 million for the year ended December 31, 2011. Capital expenditures during the year ended December 31, 2012 were $2.9 million compared with $3.0 million for the same period in 2011. Cash paid on acquisitions for the year ended December 31, 2012 was $4.0 million, down $5.0 million from $9.0 million for the year ended December 31, 2011.

On April 20, 2012 the Company issued 2,700,000 common shares on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters for gross proceeds of $40.5 million.

The Company used the net proceeds from the Offering for debt reduction, acquisitions and general corporate purposes.

Concurrent with the Offering, the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to the Management Partnership in full satisfaction of $10.0 million of indebtedness owed by the Company to the Management Partnership.

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 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 December 31, 2012, IBI Group had borrowings of $73.9 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 December 31, 2012, IBI Group had issued bid bonds in the amount of $3.9 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 credit facility 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. 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[1] ratio, fixed charge coverage ratio and payout ratio[1]. 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. The loan contains a debt covenant stating that at the end of each quarter IBI Group’s fixed charge coverage ratio (in the covenant defined as the IBI Group’s earnings before interest, tax and depreciation plus rent less capital expenditures less income taxes paid less distributions divided by rent plus cash interest) cannot be less than 1.05 for the period ending December 31, 2012, 1.0 times for the period ending March 31, 2013 and 1.1 thereafter. For the period ending December 31, 2012 the banking syndicate agreed to an adjustment of $16 million to EBITDA[1] for the purpose of the fixed charge covenant calculation.

(1) See “Definition of Non-IFRS Measures”

Non-current Liabilities

Total non-current liabilities were $206.4 million for the year ended December 31, 2012 compared to $222.9 million for the year ended December 31, 2011.

Contractual Obligations

As part of continuing operations, the Company enters into long term contractual obligations from time to time. The table below summarizes the contractual obligations due on credit facilities, convertible debentures, operating lease commitments, notes payable and amounts due to related parties as of December 31, 2012:

Contractual Obligations	Payment Due by Period				
(in millions of dollars)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Credit facility	$ 73.9	$ -	$ -	$ 73.9	$ -
Interest on credit facility	10.5	3.0	6.0	1.5	-
Convertible debentures	123.5	-	46.0	20.0	57.5
Interest on convertible debentures	32.0	7.8	12.4	9.2	2.6
Operating leases	113.2	22.8	40.4	25.7	24.3
Notes payable	16.7	14.0	2.7	-	-
Due to related party	10.0	-	10.0	-	-
Total contractual obligations	$ 379.8	$ 47.6	$ 117.5	$ 130.3	$ 84.4

For further information regarding the nature and repayment terms of the credit facility and convertible debentures, refer to note 6 of the audited consolidated financial statements for the year ended December 31, 2012. The operating lease commitments include obligations under office space rental agreements, refer to note 15 of the audited consolidated financial statements for the year ended December 31, 2012 for further details.

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)	4th Qtr 2012	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011
Revenue	$ 75,464	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301	$ 77,785
Adjustment Item	12,600	-	-	-	-	-	-	-
Adjusted Revenue	$ 88,064	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301	$ 77,785
Earnings [4]	(26,528)	2,704	5,680	3,733	4,165	4,242	4,247	1
Changes in fair value and other Finance Costs	(236)	17	41	59	313	357	187	(66)
Interest expense, net[4]	3,328	3,337	3,310	3,603	3,867	4,002	3,879	3,503
Income taxes expense (recovery)	(3,082)	34	602	952	3	1,006	1,285	4,145
Amortization of property and equipment and intangible assets	5,896	2,519	2,505	2,559	3,467	2,664	2,603	2,729
Acquisition-related costs[1]	406	434	32	208	416	534	402	218
Foreign exchange loss (gain)	221	357	(142)	289	(15)	77	66	218
Impairment of Goodwill	14,483	-	-	-	-	-	-	-
Adjustment items	16,000	-	-	-	-	-	-	-
Adjusted Earnings before income taxes, interest and amortization (Adjusted EBITDA[1])	10,488	9,402	12,028	11,403	12,216	12,882	12,669	10,748
Adjusted EBITDA[1] as a percentage of Revenue	11.9%	10.8%	13.6%	13.1%	13.9%	15.3%	15.4%	13.8%
Distributable Cash[1] reconciliation								
Cash flow from (used in) operating activities	1,456	6,000	(818)	(10,122)	7,431	2,045	(17,437)	3,125
Less capital expenditures	(721)	(536)	(749)	(870)	(1,065)	(775)	(607)	(590)
Standardized Distributable Cash[1]	735	5,464	(1,567)	(10,992)	6,366	1,270	(18,044)	2,535
Add (deduct):								
Change in non-cash operating working capital	(12,770)	(1,900)	7,277	15,711	(691)	4,776	23,372	1,217
Acquisition-related costs[1]	406	435	32	208	416	534	402	218
Current income tax expense (recovery)	535	512	1,047	1,090	427	1,503	1,548	1,652
Foreign exchange loss (gain)	221	357	(142)	289	(15)	77	66	218
Adjustment items	16,000	-	-	-	-	-	-	-
Adjusted Distributable Cash[1]	5,127	4,868	6,647	6,306	6,503	8,160	7,344	5,840
Basic and diluted Adjusted Distributable Cash per Share and Partnership Unit[2]	0.2346	0.2252	0.3184	0.3487	0.3608	0.4530	0.4081	0.3253
Basic and diluted aggregate dividends declared per Share	0.1969	0.2127	0.2820	0.3105	0.3230	0.3229	0.3231	0.2734
Payout ratio[1]	83.9%	94.5%	88.6%	89.0%	89.5%	71.3%	79.2%	84.1%
Basic Adjusted Net Earnings per Share [3,4]	0.0118	0.1250	0.2799	0.2065	0.2311	0.2355	0.2360	0.2423
Personnel – average	2,873	2,944	2,925	2,900	2,899	2,806	2,685	2,579
Personnel – quarter end	2,852	2,926	2,950	2,899	2,901	2,843	2,764	2,592

(1) See "Definition of Non-IFRS Measures"
(2) Distributable cash per Share amounts are 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.
(3) Basic Adjusted Net Earnings per Share are calculated by including Common shares of the Company which is a non-IFRS measure.
(4) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest.

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 $5.6 million for the three months ended December 31, 2012 (three months ended December 31, 2011 - $5.3 million) and $24.1 million for the year ended December 31, 2012 (year ended December 31, 2011 - $21.3 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 common shareholder. The Class B partnership unitholders are the partners of the Management Partnership. In 2012, the Management Partnership reinvested $2.0 million of Class B distribution into shares of the Company through the DRIP program. As at December 31, 2012 there were $1.3 million distributions payable to the Management Partnership (As at December 31, 2011 - $1.3 million distributions payable).

- During the first quarter of 2010, the 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. During the second quarter of 2012 IBI Group repaid $10.0 million of the advance with the issuance of 667,000 common shares of the Company. Interest expense on this advance was $0.1 million for the three months ended December 31, 2012 (three months ended December 31, 2011 - $0.3 million) and $0.5 million for the year ended December 31, 2012 (year ended December 31, 2011 - $0.8 million).

- On April 20, 2012 the Company 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 $10.0 million of indebtedness owed by the Company to the Management Partnership.

- The Company's key management personnel are comprised of the Board and members of the executive team of the Company, to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company. The increase over 2011 arises from four operating directors being appointed and designated as key management personnel in 2012. Compensation paid to these individuals is demonstrated in the table below.

	Year ended December 31, 2012		Year ended December 31, 2011	
Directors fees, salaries of executive team and other short-term employee benefits	$	3,357	$	2,081
Share–based compensation		211		173
Other compensation		-		32
Total compensation	$	3,568	$	2,286

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As required by National 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 have evaluated the effectiveness of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as of the end of the period covered by the annual filings.

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 CEO and CFO of the Company, together with management of the Company have evaluated the effectiveness of the Company's DC&P and ICFR with the exception of controls which were not evaluated related to Taylor Young and M•E Companies, Inc. acquired during 2012 (collectively the "2012 acquisitions"). These acquisitions are consolidated within the results of the Company as of December 31, 2012. The 2012 acquisitions represent consolidated net assets of $0.3 million and net income before taxes of $0.5 million. The CEO and CFO of the Company, together with management are collectively satisfied that, with the exception of controls related to the 2012 acquisitions which were not evaluated, as of December 31, 2012 the Company's DC&P and ICFR were appropriately designed 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.

Revenue Recognition - The Company accounts for its revenue in accordance with IAS 11, "Construction Contracts," which requires estimates to be made for contract costs and revenues. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best judgments based on the information available at that point in time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

The Company also enters into contracts that require multiple deliverables, which can include software and hardware elements. Management applies judgment when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgment is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement, and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

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.

Determining Deferred Revenue - The Company records its deferred revenue based on projects for which billings exceed work in process. Estimating total direct labour costs is subjective and requires the use of management's best judgment based on the information available at that point in time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and unbilled revenue.

Establishing Fair Values for Assets and Liabilities Acquired in Business Combinations - In a business combination, the Company may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (i.e., contract backlog, clients and relationships) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on expected discounted cash flows, and is subsequently remeasured to fair value at each reporting date. The key assumptions used in determining fair value include the probability of meeting each performance target and a discount factor (see note 11).

Goodwill – Goodwill is tested for impairment annually. This testing includes a comparison of the carrying value of cash generating units to the estimated fair value to ensure that the fair value is greater than the carrying value. Estimating the fair value of a reporting unit 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. For the year ended 2012 and 2011, the interest rate swap agreements have not been designated as cash flow hedges and are treated as derivative instruments, therefore any unrealized gain or loss is included in net earnings or loss.

Accounting Developments

Recently issued but not yet adopted accounting pronouncements:

- **Offsetting Financial Assets and Liabilities**

  The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments has not yet been determined.

- **Financial Instruments – Recognition and Measurement**

  In October 2010, the IASB published amendments to IFRS 9 Financial Instruments (IFRS 9 (2010)) which provide added guidance on the classification and measurement of financial liabilities. IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

- **Consolidated Financial Statements**

  In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements. IFRS 10 replaces portions of IAS 27 Consolidated and Separate Financial Statements, that addresses consolidation, and supersedes SIC-12 Consolidation—Special Purpose Entities ("SPE"), in its entirety. IFRS 10 provides a single model to be applied in the analysis of control of all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures specified in IFRS 10 are carried forward substantially unmodified from IAS 27.

- **Joint Arrangements**

  In May 2011, the IASB issued IFRS 11 Joint Arrangements. IFRS 11 supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly. Investments in joint ventures are required to be accounted for using the equity method.

  As a result of the issuance of IFRS 10 and IFRS 11, IAS 28 Investments in Associates and Joint Ventures, has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

- **Disclosure of Interests in Other Entities**

  In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities, which contains disclosure requirements for companies that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  IFRS 10, IFRS 11 and IFRS 12, and the amendments to IAS 27 and IAS 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, IFRS 11 and IFRS 12, and the amendments to IAS 27 and IAS 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 10, IFRS 11, amendments to IAS 27 and 28. The Company intends to adopt IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 in its consolidated financial statements for the annual period beginning on January 1, 2013.

  The impact of the adoption of IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 is not expected to be material to the financial statements, and the additional disclosures required by these standards will be included in its 2013 financial statements.

- **Fair Value Measurement**

  In May 2011, the IASB published IFRS 13 Fair Value Measurement, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company will provide required additional disclosures on fair valued items beginning with its first quarter 2013 financial statements.

- **Presentation of Financial Statements**

  In June 2011, the IASB published amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted. These amendments require that a company present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect significant change to its financial statements upon adoption of this standard.

- **Financial Assets and Liabilities**

  In December 2011 the IASB published amendments to International Accounting Standard ("IAS") 32 Financial Instruments: Presentation and issued new disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.

  The amendments to IAS 32 clarify when an entity has a legally enforceable right to off-set as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company will include the additional disclosures required by the amendments to IFRS 7 in its 2013 financial statements. The extent of the impact of adoption of amendments to IAS 32 has not yet been determined.

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 Non-IFRS Measures

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”.

References to adjusted EBITDA are to EBITDA excluding any adjustment items.

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.

Adjusted distributable cash is defined by the Company as distributable cash excluding any adjustment items.

Payout ratio is defined by the Company as dividends declared plus Class B partnership distributions less shares issued under the DRIP in the period divided by distributable cash.

Free cash flow is defined by the Company as net cash provided by (used in) operating activities less purchases of property, plant and equipment in the period.

Other operating costs (other than interest) is defined by the Company as the sum of rent, other operating expenses and impairment of financial assets.

Adjusted other operating costs (other than interest) is defined by the Company as the sum of rent, other operating expenses and impairment of financial assets less the impact of any impairments of financial assets.

Other finance costs is defined by the Company for the purposes of the MD&A as other finance costs as recorded in the consolidated financial statements of the Company less deferred transaction costs and change in the fair value of interest rate swap.

Acquisition-related costs are defined by the Company as legal, accounting and other fees incurred in the period relating to acquisitions.

Adjusted Revenue is equal to revenue plus the impact of any adjustments to unbilled work in process.

Adjusted net earnings are equal to the earnings for the period plus the after tax impact of any adjustment items and non-cash adjustment on conversion to a corporation for 2011.

Adjusted basic and diluted adjusted net earnings per share is equal to the adjusted net earnings for the period divided by the weighted average number of Class A shares outstanding during the period.

Standardized distributable cash is defined by the Company as net cash from (used in) operating activities less capital expenditures.