Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three months ended March 31, 2012 and 2011

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position

(thousands of Canadian dollars)	**Notes**	**March 31, 2012** *(unaudited)*	**December 31, 2011**
Assets			
Current Assets			
Cash and cash equivalents	*5*	$ 300	$ 2,358
Accounts receivable	*5,8*	138,539	134,779
Work in process	*5*	121,566	118,608
Prepaid expenses and other current assets		11,233	10,616
Income tax recoverable		1,708	1,703
Total Current Assets		$ 273,346	$ 268,064
Property and equipment		7,621	7,537
Intangible assets		29,292	31,160
Goodwill		168,948	169,766
Deferred tax assets		5,306	5,332
Total Assets		$ 484,513	$ 481,859
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	*11*	$ 47,227	$ 54,964
Notes payable	*11*	14,984	16,080
Deferred revenue		12,114	12,885
Income taxes payable		4,270	4,765
Dividends payable		1,204	1,195
Distributions payable		2,010	1,340
Total Current Liabilities		$ 81,809	$ 91,229
Due to related parties	*6*	20,000	20,000
Notes payable	*11*	1,787	3,831
Unrealized interest rate swap losses	*5,8*	41	36
Long-term debt	*5*	92,507	76,941
Convertible debentures	*5*	113,122	112,687
Deferred tax liabilities		9,188	9,455
Total Liabilities		$ 318,454	$ 314,179
Equity			
Shareholders' Equity			
Share capital	*7*	177,086	176,109
Deficit		(75,177)	(74,268)
Convertible debentures - equity component	*5*	5,852	5,852
Accumulated other comprehensive loss		(4,075)	(3,558)
Total Shareholders' Equity		$ 103,686	$ 104,135
Non-controlling interest	*7*	62,373	63,545
Total Equity		$ 166,059	$ 167,680
Total Liabilities and Equity		$ 484,513	$ 481,859

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Comprehensive Income
(unaudited)

		Three months ended			
(thousands of Canadian dollars, except per share amounts)	**Notes**		**March 31, 2012**		**March 31, 2011**
Revenue		$	86,896	$	77,785
Salaries, fees and employee benefits			60,551		52,988
Rent			5,174		4,857
Other operating expenses			9,599		8,910
Foreign exchange loss	*8*		289		218
Amortization of intangible assets			1,782		1,872
Amortization of property and equipment			777		857
Impairment of financial assets			274		211
			78,446		69,913
Operating Income		$	8,450	$	7,872
Interest expense, net	*10*		3,603		3,503
Other finance costs	*10*		162		223
Finance Costs		$	3,765	$	3,726
Current tax expense			1,090		1,652
Deferred tax expense (recovery)			(138)		2,493
Income taxes		$	952	$	4,145
Net Income for the Period		$	3,733	$	1
Other comprehensive loss					
Loss on translating financial statements of foreign operations, net of tax			(716)		(641)
Other comprehensive loss, net of tax			(716)		(641)
Total Comprehensive Income (Loss)		$	3,017	$	(640)
Net income (loss) attributable to:					
Owners of the Company		$	2,696	$	1
Non-controlling interests	*7*		1,037		-
Net income for the period		$	3,733	$	1
Total comprehensive income (loss) attributable to:					
Owners of the Company		$	2,179	$	(460)
Non-controlling interests	*7*		838		(180)
Total comprehensive income (loss) for the period		$	3,017	$	(640)
Earnings per share					
Basic and diluted earnings per share	*7*	$	0.2065	$	0.0001

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Cash Flows
(unaudited)

(thousands of Canadian dollars)	**Notes**	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**
Cash Flows provided by (used in) Operating Activities			
Net income		$ 3,733	$ 1
Items not affecting cash:			
Amortization of property and equipment		777	857
Amortization of intangible assets		1,782	1,872
Amortization of deferred financing costs		54	120
Interest expense, net		3,603	3,503
Deferred income taxes		(138)	2,493
Change in fair value of financial instruments	*10*	5	(186)
Interest paid		(3,128)	(3,115)
Income taxes paid		(1,099)	(1,203)
Change in non-cash operating working capital	*9*	(15,711)	(1,217)
Net Cash provided by (used in) from Operating Activities		$ (10,122)	$ 3,125
Cash Flows from Financing Activities			
Payments on principal of notes payable		(2,195)	(269)
Proceeds from (payments on) principal of term debt		16,000	(31,342)
Dividends paid to shareholders		(3,599)	(4,101)
Distributions paid to non-controlling interest		(1,340)	(1,340)
Advances from (payments to) related parties	*6*	-	(6,000)
Issue of share capital	*7*	-	268
Proceeds of issuance of convertible debentures, net of transaction costs	*5*	-	54,619
Net Cash provided by Financing Activities		$ 8,866	$ 11,835
Cash Flows from Investing Activities			
Purchase of property and equipment		(870)	(590)
Acquisitions, net of cash acquired	*11*	-	(7,408)
Net Cash used in Investing Activities		$ (870)	$ (7,998)
Effect of foreign exchange rate fluctuations on cash held	*8*	68	(444)
Net increase (decrease) in Cash and Cash Equivalents		$ (2,058)	$ 6,518
Cash and cash equivalents, beginning of period		2,358	3,662
Cash and Cash Equivalents, End of Period		$ 300	$ 10,180

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Changes in Equity
(unaudited)

(thousands of Canadian dollars)	**Notes**	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**
Share Capital			
Share capital, beginning of period		$ 176,109	$ -
Issuance upon conversion from trust to corporation		-	174,610
Shares issued from treasury	*8*	977	268
Share Capital, End of Period		$ 177,086	$ 174,878
Deficit			
Deficit, beginning of period		(74,268)	(66,847)
Net income attributable to owners of the Company		2,696	1
Dividends declared to shareholders		(3,605)	(3,569)
Deficit, End of Period		$ (75,177)	$ (70,415)
Convertible Debentures - Equity Component			
Convertible debentures, beginning of period		5,852	-
Reclassification upon conversion from trust to corporation		-	2,646
Issuance of convertibles debentures		-	3,206
Convertible Debentures, End of Period		$ 5,852	$ 5,852
Accumulated Other Comprehensive Loss			
Accumulated other comprehensive loss, beginning of period		(3,558)	(3,958)
Other comprehensive loss attributable to shareholders		(517)	(460)
Accumulated Other Comprehensive Loss, End of Period		$ (4,075)	$ (4,418)
Total Shareholders' Equity		$ 103,686	$ 105,897
Non-controlling Interest			
Non-controlling interest, beginning of period		63,545	-
Reclassification upon conversion from a trust to a corporation		-	67,899
Total comprehensive income attributable to non-controlling interests	*8*	838	(180)
Distributions		(2,010)	(1,340)
Non-controlling Interest, End of Period		$ 62,373	$ 66,379
Total Equity, End of Period		$ 166,059	$ 172,276

See accompanying notes to the interim condensed consolidated financial statements.

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

IBI Group Inc. (the "Company") is a company incorporated pursuant to the provisions of the Canada Business Corporations Act (the "CBCA") on June 30, 2010 and became the successor to IBI Income Fund (the "Fund"), an unincorporated, open-ended limited purpose trust established under the laws of Ontario.

The Fund was created on July 23, 2004 to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership ("IBI Group"), a general partnership formed under the laws of the Province of Ontario that carries on business. IBI Group also issued Class B partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the operations of the Fund prior to its acquisition by the Fund.

As at March 31, 2012, the Management Partnership holds 5,025,778 Class B partnership units representing 27.7% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 3,281,011 common shares of the Company, representing a total ownership of approximately 45.9% of the Company. The Management Partnership also holds 5,025,778 non-participating voting shares of the Company, which together with the 3,281,011 common shares of the Company held by the Management Partnership and affiliated partnerships, represents approximately 45.9% of the voting shares of the Company on a partially diluted basis, assuming the exchange of the Class B partnership units for common shares of the Company.

Through IBI Group, the Company is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and systems technology. 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.

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol "IBG". The Company's registered head office is 230 Richmond Street West, 5th Floor, Toronto Ontario, M5V 1V6.

NOTE 2: STATEMENT OF COMPLIANCE

(a) Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "consolidated group") have been prepared in accordance with IAS 34, *Interim Financial Reporting,* using accounting policies consistent with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and using accounting policies derived therein consistent with the Company's 2011 annual audited consolidated financial statements. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the Board of Directors on May 11, 2012.

(b) Basis of measurement

These interim condensed consolidated financial statements were prepared on a going concern basis. Amounts are recorded under the historical cost convention, except for certain financial liabilities measured at fair value through profit or loss ("FVTPL").

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its Canadian subsidiaries, including IBI Group, operate (the "functional currency").

(d) Critical accounting estimates and judgments

The preparation of these interim condensed consolidated financial statements in accordance with IAS 34 requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the period covered by the interim condensed consolidated financial statements. Actual amounts may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Valuation of work in process;
- Determining of allowance for doubtful accounts receivable;
- Determining deferred revenue;
- Establishing fair values for work in process, and identifiable property, equipment and intangible assets acquired in business combinations (see note 14);
- Determining probable future utilization of tax loss carryforwards;
- Selecting inputs, including fair value multiples, discount rates, and forecasts used in calculating the recoverable amount for testing impairment of non-financial assets; and
- Measuring fair value of financial instruments (see note 6).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company have been applied consistently to all periods presented in these interim condensed consolidated financial statements. Please refer to Note 3 of the audited December 31, 2011 consolidated financial statements of IBI Group Inc. for the summary of significant accounting policies.

NOTE 4: SEGMENT INFORMATION

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

(a) Operating segments

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

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

(b) Geographic segments

The following table demonstrates certain statement of financial position information line items segmented geographically as at March 31, 2012, with comparatives as at March 31, 2011:

	As at March 31, 2012			
	Canada	U.S.	International	Total
Property and equipment	$ 4,263	$ 1,593	$ 1,765	$ 7,621
Intangibles	18,074	7,655	3,563	29,292
Goodwill	139,618	22,135	7,195	168,948
Total assets	$ 433,195	$ 14,138	$ 37,180	$ 484,513

	As at March 31, 2011			
	Canada	U.S.	International	Total
Property and equipment	$ 4,902	$ 1,054	$ 1,156	$ 7,112
Intangibles	23,169	6,473	4,120	33,762
Goodwill	130,908	18,718	11,543	161,169
Total assets	$ 400,093	$ 16,063	$ 39,352	$ 455,508

The following table demonstrates certain information contained in the statement of comprehensive income segmented geographically for the three months ended March 31, 2012, with comparatives for the three months ended March 31, 2011. The unallocated amounts pertain to expenses relating to convertible debentures, taxes, and non-cash finance costs incurred by the Company and the Fund.

	Three months ended March 31, 2012								
		Unallocated Corporate costs		Canada		U.S.		International		Total
Revenues	$	-	$	54,629	$	22,006	$	10,261	$	86,896
Net income for the period	$	(1,955)	$	4,683	$	277	$	728	$	3,733

	Three months ended March 31, 2011								
		Unallocated Corporate costs		Canada		U.S.		International		Total
Revenues	$	-	$	48,813	$	16,889	$	12,083	$	77,785
Net income for the period	$	(5,377)	$	2,926	$	117	$	2,335	$	1

NOTE 5: FINANCIAL INSTRUMENTS

(a) Indebtedness

On July 29, 2011, IBI Group closed a new five year $120,000 credit facility (the “Revolver Facility”) with an $80,000 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 mature on July 29, 2016.

The credit facility is a revolving facility to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at March 31, 2012, IBI Group had borrowings of $93,438 under the Revolver Facility, compared with borrowings of $77,925 under the Revolver Facility as at December 31, 2011.

As at March 31, 2012, the total balance of unamortized transaction costs was $931 (December 31, 2011 - $984). The net long-term debt after transaction costs on the statement of financial position was $92,507 as at March 31, 2012 (December 31, 2011 - $76,941).

In addition, a bid bond guarantee facility (the “Bid Bond Facility”) of up to USD $20,000 continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at March 31, 2012, IBI Group had issued bid bonds in the amount of $4,448 (December 31, 2011 – $4,352) 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.

Advances under these credit facilities bear interest at a rate based on the Canadian dollar or United States dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin. The Bid Bond Facility is only available by way of letters of credit or letters of guarantee.

Cash balances, which the Company has the ability and intent to offset, are used to reduce reported bank indebtedness when required.

(b) Convertible debentures

The Company has three series of convertible debentures outstanding as at March 31, 2012.

6.0% Debentures

The 6.0% Debentures are compound financial instruments and the total proceeds of the offering, less applicable interest costs at the time of issue, were allocated between a liability for the debenture of $51,569 and equity component for the conversion feature of $3,206. As at March 31, 2012, the liability component has an amortized cost of $52,278. The equity component, an embedded derivative, reflects the fair value of the conversion option of the 6.0% Debentures at the issuance date.

5.75% Debentures

For the period ended March 31, 2012, the 5.75% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on the date of issuance and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. As at March 31, 2012, the liability component has an amortized cost of $17,809 (December 31, 2011 - $17,728). The equity component for the conversion feature of $896 is measured at the fair value on the date of conversion to a corporation.

7.0% Debentures

For the period ended March 31, 2012, the 7.0% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on the date of issuance and measured subsequently at amortized cost using the effective interest method over the life of the 7.0% Debentures. As at March 31, 2012, the liability component has an amortized cost of $43,035 (December 31, 2011 - $42,829). The equity component for the conversion feature of $1,750 is measured at the fair value on the date of conversion to a corporation.

The movement in Convertible Debentures and related embedded derivative for the three months ended March 31, 2012 is as follows:

		Liability component		Equity component		Total
Balance, January 1, 2012	$	112,687	$	5,852	$	118,539
Accretion of convertible debenture issue cost		475		-		475
Other		(40)		-		(40)
Balance, March 31, 2012	$	113,122	$	5,852	$	118,974

The movement in convertible debentures for the year ended December 31, 2011 is as follows:

		Liability component		Embedded derivative (liability)		Equity component		Total
Balance, January 1, 2011	$	59,367	$	2,646	$	-	$	62,013
Reclassification upon conversion to a corporation		-		(2,646)		2,646		-
Issuance of convertible debentures		51,569		-		3,206		54,775
Accretion of convertible debenture issue cost		1,751		-		-		1,751
Balance, December 31, 2011	$	112,687	$	-	$	5,852	$	118,539

(c) Derivatives

As at March 31, 2012, the Company had a total of $46,000 (December 31, 2011 - $46,000) notional amounts of interest-rate swap agreements outstanding with a fair value of the swap liability of $41 (December 31, 2011 - $36). The terms of these swaps correspond to the terms of the underlying interest payments on the term facility, which represents economic hedge of the risks.

The interest rate swaps are not designated by the Company as hedges; therefore, the unrealized gains or losses relating to this derivative financial instrument are recorded in income as other finance income (costs) and in the consolidated statements of financial position as a financial liability or asset.

The change in the fair value of the interest rate swap, estimated using third-party market indicators and forecasts at a loss of $5 for the three months ended March 31, 2012 (three months ended March 31, 2011 - gain of $186).

(d) Financial assets and liabilities

The carrying amount of the Company's financial instruments as at March 31, 2012 are as follows:

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL Held-for-trading	Financial liabilities at FVTPL Designated FVTPL	Total
Financial assets					
Cash and cash equivalents	$ 300				$ 300
Accounts receivable	138,539				138,539
Work in process	121,566				121,566
Income tax recoverable	1,708				1,708
Total	$ 262,113				$ 262,113
Financial liabilities					
Accounts payable and accrued liabilities		46,889		338	47,227
Due to related parties		20,000			20,000
Notes payable		16,771			16,771
Income tax payable		4,270			4,270
Dividend payable		1,204			1,204
Distributions payable		2,010			2,010
Unrealized interest rate swap gain			41		41
Long-term debt		92,507			92,507
Convertible debentures		113,122			113,122
Total		$ 296,773	$ 41	$ 338	$ 297,152

The carrying amount of the Company's financial instruments as at December 31, 2011 is as follows:

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL Held-for-trading	Financial liabilities at FVTPL Designated FVTPL	Total
Financial assets					
Cash and cash equivalents	$ 2,358				$ 2,358
Accounts receivable	134,779				134,779
Work in process	118,608				118,608

Income tax recoverable	1,703				1,703
Total	$ 257,448				$ 257,448
Financial liabilities					
Accounts payable and accrued liabilities		54,626		338	54,964
Due to related parties		20,000			20,000
Notes payable		19,911			19,911
Income tax payable		4,765			4,765
Dividend payable		1,195			1,195
Distributions payable		1,340			1,340
Unrealized interest rate swap gain			36		36
Long-term debt		76,941			76,941
Convertible debentures		112,687			112,687
Total		$ 291,465	$ 36	$ 338	$ 291,839

NOTE 6: RELATED PARTY TRANSACTIONS

- Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, the Fund, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the principals of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2012 was $6,155 (three months ended March 31, 2011 - $5,169).

- IBI Group makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. The Class B partnership unitholders are the partners of the Management Partnership. As at March 31, 2012 the amount of distributions payable to the Management Partnership was $2,010 (as at December 31, 2011 - $1,340).

- During the first quarter of 2010, Management Partnership advanced $26,000 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 $6,000 of the advance. For the three months ended March 31, 2012, interest expense on this advance was $189.

NOTE 7: EQUITY

(a) Shareholders' equity

As at March 31, 2012, the Company's common share capital consisted of 13,091,007 shares issued and outstanding.

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

The Class B partnership units of IBI Group are indirectly exchangeable for shares on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2012, the units issued on such exchange would have represented a 27.7% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in the interim condensed consolidated financial statements as at March 31, 2012.

Issues

During the three months ended March 31, 2012, the Company issued 51,000 common shares at $13.89 per share and 18,000 common shares at $15.28 per share for a total of $977. These share issuances were settled by reducing notes payable, for acquisition payments.

During the year ended December 31, 2011, the Company issued 35,000 common shares at $15.28 per share, 27,000 common shares at $15.26 per share, and 36,000 common shares at $15.31 per share for a total of $1,499. These share issuances were settled by reducing notes payable.

Dividends

For each of the three months ended March 31, 2012, the Company declared monthly dividends at a rate of $0.092 (each of the three months ended March 31, 2011 - $0.092) cents per qualifying ordinary share for total dividends declared during the quarter of $3,605 (for three months ended March 31, 2011 - $3,569).

Earnings per share

The calculation of basic and diluted earnings per share for the three months ended March 31, 2012 is demonstrated in the following table:

	Three months ended March 31, 2012		Three months ended March 31, 2011	
Net income attributable to owners of the Company	$	2,696	$	1
Weighted average common shares outstanding		13,058		12,928
Basic and diluted earnings per common share	$	0.2064	$	0.0001

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

(b) Non-controlling interest

Non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company. The movement in non-controlling interest is shown in the March 31, 2012 statement of equity. The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended March 31, 2012		Three months ended March 31, 2011	
Net income	$	3,733	$	1
Non-controlling interest share of ownership		27.7%		28%
Net income attributable to non-controlling interest	$	1,037	$	-

	Three months ended March 31, 2012		Three months ended March 31, 2011	
Total comprehensive income (loss)	$	3,017	$	(640)
Non-controlling interest share of ownership		27.7%		28%
Total comprehensive income (loss) attributable to non-controlling interest	$	838	$	(180)

NOTE 8: FINANCIAL RISK MANAGEMENT

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

(a) Market risk

Interest Rate Risk

The Company's financing strategy is to access public capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs. The Company has floating-rate debt, which subjects it to interest rate cash flow risk.

The Company entered into interest rate swaps to convert a portion of its debt from floating to fixed rates. As at March 31, 2012, a notional amount of $46,000 (December 31, 2011 - $46,000) of interest rate swaps were outstanding. The terms of these swaps correspond to the terms of the underlying debt.

If the interest rate on the Company's variable rate loan balance as at March 31, 2012, had been 50 basis points higher, with all other variables held constant, net income for the three months ended March 31, 2012 would have decreased by approximately $152, net of income tax, after the impact of the swap. If the interest rate had been 50 basis points lower, there would have been an equal and opposite impact on net income.

Currency Risk

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

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated financial assets and liabilities (such as cash balances, accounts receivable, work in process, accounts payable and term debt) held in the Company's Canadian operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities.

If the exchange rates had been $0.01 higher or lower at March 31, 2012, with all other variables held constant, net income would have increased or decreased by $6.

(b) Credit risk

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

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure)[1]. At March 31, 2012 there were 100 working days of revenue in accounts receivable, a slight increase from 99 days at March 31, 2011 and an increase from 97 days at December 31, 2011. The maximum exposure to credit risk at the date of the statement of financial

[1] References to "working days of revenue in accounts receivable" in note 10(b) is calculated using inputs measured using IFRS. Working days of revenue in accounts receivable is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the interim condensed consolidated financial statements.

The majority of the accounts receivable are due from government and public institutions. As well, IBI implements a process of assurance for payment from private entities. Their maturities are detailed below:

	March 31, 2012	December 31, 2011
Current	$ 41,493	$ 38,533
30 to 90 days	28,106	31,717
Over 90 days	74,642	71,898
Allowance for impairment losses	(5,702)	(7,369)
Total	$ 138,539	$ 134,779

(c) Liquidity Risk

The Company strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

As at March 31, 2012, the Company had $300 of cash and cash equivalents plus $26,562 of available funding under its Revolver Facility in addition to the accordion feature of $80,000.

As at December 31, 2011, the Company had $2,358 of cash and cash equivalents plus $37,723 of available funding under its Revolver Facility in addition to the accordion feature of $80,000.

(d) Capital management

The Company's objective in managing capital is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of long-term debt and 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 then raised equity through a public offering, using the proceeds to reduce the bank debt. The Company has also used the bank debt to fund working capital.

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, current ratio and distributions not to exceed distributable cash. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at March 31, 2012; December 31, 2011 and March 31, 2011 the Company was in compliance with all covenants under its credit facilities.

There were no changes in the Company's approach to capital management during the three month period ended March 31, 2012.

NOTE 9: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended	
	March 31, 2012	March 31, 2011
Accounts receivable	$ (4,572)	$ 4,281
Work in process	(3,616)	(10,869)
Prepaid expenses and other assets	(639)	413
Accounts payable	(7,268)	(1,153)
Deferred revenue	(671)	1,768
Income taxes payable	599	2,171
Acquisition of working capital	456	2,172
Decrease in non-cash operating working capital	$ (15,711)	$ (1,217)

NOTE 10: FINANCE COSTS (INCOME)

	Three months ended	
	March 31, 2012	March 31, 2011
Interest on long term debt	$ 684	$ 1,020
Interest on convertible debentures	1,955	1,679
Non-cash accretion of convertible debentures	475	804
Other	489	-
Interest expense, net	$ 3,603	$ 3,503
Amortization of deferred financing costs	$ 54	$ 120
Change in fair value of interest rate swap	5	(186)
Other	103	289

[1] References to "EBITDA" in note 10(d) is to the earnings before interest, income taxes, depreciation and amortization calculated using inputs measured using IFRS. EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

Other finance costs (income)	$	162	$	223
Finance costs (income) for the period	$	3,765	$	3,726

NOTE 11: ACQUISITIONS

(a) Acquisitions in 2011

- In September 2011, the Company concluded arrangements for the acquisition of Dull Olson Weekes Architects, Inc., ("DOWA"), in Portland, Oregon, effective September 15, 2011. DOWA is known for its high quality of design, technical competence, as well as social consciousness in its approach to sustainability and other societal values. This combination of social infrastructure along with transportation infrastructure is providing the Company with a strong, sustainable base across the United States as the Company succeeds in its plan of establishing national practices in these broad areas.

- In June 2011, through the professional practice of IBI Group Architects, Engineers and Landscape Architects of New York, the Company formed a strategic alliance by merging with, Landscape Architects, (“CRJA”) in Boston, Massachusetts, effective June 30, 2011. CRJA is known for its landscape projects in educational campuses and building facilities, in prestigious embassies, urban developments of mixed uses; and design of the public realm of streetscapes and public places.

- In March 2011, the Company concluded arrangements for the acquisition of Bay Architects Inc., (“Bay”) in Houston, Texas, effective March 31, 2011. Bay is an architectural firm that specializes in educational facilities, (schools and community colleges), along with other areas of architectural practice in civic, other institutional, retail, office and industrial facilities in the State of Texas.

- In January 2011, the Company completed the acquisition of the practice of Cardinal Hardy Architectes, (“CHA”) in Montreal, Quebec, effective January 3, 2011. CHA is a full service architectural practice with technical work ranging from institutional projects in transportation, social infrastructure including building facilities in education and health, private development projects by leading developers in the Greater Montreal Region.

(b) Consideration paid and outstanding

The total notes payable, contingent consideration outstanding, and adjustments to these obligations are as follows:

		Notes payable		Contingent consideration
Balance, January 1, 2011	$	13,830	$	1,551
Additions for acquisitions in the period		11,163		416
Share issuances		(1,499)		-
Payments		(4,020)		(1,551)
Foreign exchange translation		540		(78)
Purchase price adjustments		(103)		-

Balance, December 31, 2011	$	19,911	$	338
Additions for acquisitions in the period		-		-
Share issuances		(793)		-
Payments		(2,193)		-
Foreign exchange translation		(210)		-
Other		56		-
Balance, March 31, 2012	$	16,771	$	338

Contingent consideration

Additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. The Company uses the income approach to determine the fair value of contingent consideration. During the year ended December 31, 2011, the Company settled the contingent consideration payable to NAL, which had been estimated and recorded on the date of the acquisition in 2010 and adjusted to fair value of $1,551 at December 31, 2010.

The fair value of the contingent consideration for CRJA was estimated and recorded on the date of acquisition and adjusted to fair value of $338 at December 31, 2011. It is classified as accrued liabilities on the balance sheet.

Purchase price adjustments

During the first quarter of 2012, the Company adjusted the working capital and notes payable on the BFGC acquisition. This adjustment resulted in an increase in net working capital of $44, and an increase in notes payable of $44.

During the first quarter of 2012, the Company adjusted the income tax payable and goodwill for the acquisition of Bay Architects Inc. The adjustment resulted in a decrease in income tax payable of $456 and a decrease to goodwill of $456.

NOTE 12: CONTINGENCIES

(a) Legal matters

In the normal course of business, the Company is a defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these condensed interim consolidated financial statements, therefore no provisions have been recorded.

(b) Indemnifications

The Company provides indemnifications and, in very limited circumstances, bonds, which are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its Directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits that provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no provisions have been accrued in the accompanying consolidated financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

NOTE 13: CORRECTION TO MARCH 31, 2011 COMPARATIVE FIGURES

During the course of the preparation of December 31, 2011 financial statements, the Company discovered that it had been incorrectly accreting the liability component of the convertible debenture. The Company has recalculated in accordance with IFRS and increased the non-cash imputed interest expense. The March 31, 2011 comparative figures displayed in these financial statements and accompanying notes for the quarter ended March 31, 2012 have been updated to reflect the correct interest expense. The amount expensed on the statement of comprehensive income is classified as non-cash imputed interest expense.

The impact arising from the change is summarized as follows:

		March 31, 2011
Statement of comprehensive income		
Non-cash imputed interest expense	$	388
Decrease in income before income tax	$	388

		March 31, 2011
Statement of financial position		
Increase in convertible debentures – liability component	$	388
Increase to deficit	$	388

NOTE 14: SUBSEQUENT EVENTS

On April 20, 2012 the Company announced it had closed the issuance of 2,700,000 common shares (the “Shares’) on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters co-led by TD Securities Inc., CIBC World Markets Inc. and National Bank Financial Inc. for gross proceeds of $40,500,000 (the “Offering”). The Company granted the syndicate an over-allotment option, exercisable in whole or in part at any time up to 30 days following closing, to purchase up to an additional 405,000 Shares at the same offering price.

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

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