Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three and six months ended June 30, 2013 and 2012

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position

(thousands of Canadian dollars)	**Notes**	**June 30, 2013** *(unaudited)*	**December 31, 2012**
Assets			
Current Assets			
Accounts receivable	*4,7*	$ 142,522	$ 142,168
Work in process		129,266	112,386
Prepaid expenses and other current assets		7,236	8,365
Income tax recoverable		3,208	3,374
Total Current Assets		$ 282,232	$ 266,293
Property and equipment		7,128	7,396
Intangible assets	*11*	23,148	30,410
Goodwill	*11*	83,768	157,788
Deferred tax assets		7,215	5,156
Total Assets		$ 403,491	$ 467,043
Liabilities and Equity			
Liabilities			
Current Liabilities			
Bank indebtedness	*4*	$ 1,563	$ 589
Accounts payable and accrued liabilities	*10*	42,595	48,129
Notes payable	*10*	8,265	13,999
Deferred revenue		14,117	10,435
Income taxes payable		3,204	3,010
Distributions payable		-	1,340
Due to related parties	*5*	10,000	-
Total Current Liabilities		$ 79,744	$ 77,502
Due to related parties	*5*	-	10,000
Notes payable	*10*	2,475	2,697
Credit facility	*4,10*	88,509	72,903
Convertible debentures	*4*	115,663	114,613
Deferred tax liabilities		6,035	6,171
Total Liabilities		$ 292,426	$ 283,886
Equity			
Shareholders' Equity			
Share capital	*6*	233,664	231,706
Deficit		(162,447)	(102,539)
Convertible debentures - equity component	*4*	5,852	5,852
Accumulated other comprehensive loss		(3,838)	(4,782)
Total Shareholders' Equity		$ 73,231	$ 130,237
Non-controlling interest	*6*	37,834	52,920
Total Equity		$ 111,065	$ 183,157
Total Liabilities and Equity		$ 403,491	$ 467,043

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue		$ 86,745	$ 88,558	$ 171,344	$ 175,454
Salaries, fees and employee benefits		62,601	61,089	124,106	121,640
Rent		5,474	5,157	10,980	10,331
Other operating expenses		10,223	9,828	19,983	19,426
Foreign exchange loss (gain)	*7*	(173)	(142)	(308)	147
Amortization of intangible assets	*11*	979	1,710	2,656	3,492
Impairment of goodwill and intangible assets	*11*	79,601	-	79,601	-
Amortization of property and equipment		801	795	1,478	1,572
Impairment of financial assets	*4*	1,399	433	2,050	708
		160,905	78,870	240,546	157,316
Operating Income (Loss)		$ (74,160)	$ 9,688	$ (69,202)	$ 18,138
Interest expense, net	*9*	3,477	3,310	6,859	6,913
Other finance costs	*9*	122	96	273	258
Finance Costs		$ 3,599	$ 3,406	$ 7,132	$ 7,171
Current tax expense	*12*	178	1,047	1,291	2,137
Deferred tax expense (recovery)	*12*	(1,898)	(445)	(2,242)	(583)
Income taxes		$ (1,720)	$ 602	$ (951)	$ 1,554
Net Income (Loss)		$ (76,039)	$ 5,680	$ (75,383)	$ 9,413
Other comprehensive income (loss)					
Income (loss) on translating financial statements of foreign operations, net of tax		1,177	682	1,224	(34)
Other comprehensive income (loss), net of tax		1,177	682	1,224	(34)
Total Comprehensive Income (Loss)		$ (74,862)	$ 6,362	$ (74,159)	$ 9,379
Net income (loss) attributable to:					
Owners of the Company		$ (58,683)	$ 4,304	$ (58,178)	$ 7,000
Non-controlling interests	*6*	(17,356)	1,376	(17,205)	2,413
Net income (loss)		$ (76,039)	$ 5,680	$ (75,383)	$ 9,413
Total comprehensive income (loss) attributable to:					
Owners of the Company		$ (57,776)	$ 4,821	$ (57,234)	$ 7,000
Non-controlling interests	*6*	(17,086)	1,541	(16,925)	2,379
Total comprehensive income (loss)		$ (74,862)	$ 6,362	$ (74,159)	$ 9,379
Earnings (loss) per share					
Basic and diluted earnings (loss) per share	*6*	$ (3.4193)	$ 0.2799	$ (3.4128)	$ 0.4864

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Cash Flows
(unaudited)

		Three months ended		Six months ended	
(thousands of Canadian dollars)	**Notes**	**June 30, 2013**	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**
Cash Flows provided by (used in) Operating Activities					
Net income (loss)		$ (76,039)	$ 5,680	$ (75,383)	$ 9,413
Items not affecting cash:					
Amortization of property and equipment		801	795	1,478	1,572
Amortization of intangible assets		979	1,710	2,656	3,492
Goodwill impairment		79,601	-	79,601	-
Amortization of deferred financing costs		78	54	147	108
Interest expense, net		3,477	3,310	6,859	6,913
Deferred income taxes		(1,898)	(445)	(2,242)	(583)
Change in fair value of financial instruments	*4*	(306)	(12)	(305)	(7)
Interest paid		(2,946)	(2,823)	(5,809)	(5,951)
Income taxes paid		8	(1,810)	(1,101)	(2,909)
Change in non-cash operating working capital	*8*	(6,832)	(7,277)	(12,686)	(22,988)
Net Cash (used in) Operating Activities		$ (3,077)	$ (818)	$ (6,785)	$ (10,940)
Cash Flows provided by (used in) Financing Activities					
Payments on principal of notes payable		-	(1,804)	(1,248)	(3,999)
Proceeds from (payments on) principal of credit facility		2,983	(27,000)	13,827	(11,000)
Dividends paid to shareholders		-	(4,230)	(2,316)	(7,829)
Distributions paid to non-controlling interest		(2,010)	(3,350)	(2,010)	(4,690)
Issue of share capital, net of issue costs		-	38,415	-	38,415
Net Cash provided by Financing Activities		$ 973	$ 2,031	$ 8,253	$ 10,897
Cash Flows (used in) Investing Activities					
Purchase of property and equipment		(581)	(749)	(1,037)	(1,619)
Net Cash (used in) Investing Activities		$ (581)	$ (749)	$ (1,037)	$ (1,619)
Effect of foreign exchange rate fluctuations on cash held	*7*	(306)	(144)	(431)	(76)
Net increase (decrease) in cash and cash equivalents		$ (2,991)	$ 320	-	$ (1,738)
Cash and cash equivalents, beginning of period		2,991	300	-	2,358
Cash and Cash Equivalents, End of Period		-	$ 620	-	$ 620

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Changes in Equity
(unaudited)

		Three months ended		Six months ended	
(thousands of Canadian dollars)	**Notes**	**June 30, 2013**	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**
Share Capital					
Share capital, beginning of period		$ 233,514	$ 177,086	$ 231,706	$ 176,109
Shares issued from treasury	*6*	150	51,447	1,958	52,424
Share Capital, End of Period		$ 233,664	$ 228,533	$ 233,664	$ 228,533
Deficit					
Deficit, beginning of period		$ (104,350)	$ (75,177)	$ (102,539)	$ (74,268)
Net income (loss) attributable to owners of the Company		(58,683)	4,304	(58,178)	7,000
Dividends declared to shareholders		-	(4,550)	(2,316)	(8,155)
Issue costs		-	(1,534)	-	(1,534)
Shares issued on notes payable		586	-	586	-
Deficit, End of Period		$ (162,447)	$ (76,957)	$ (162,447)	$ (76,957)
Convertible Debentures - Equity Component					
Convertible debentures, beginning of period		$ 5,852	$ 5,852	$ 5,852	$ 5,852
Convertible Debentures, End of Period		$ 5,852	$ 5,852	$ 5,852	$ 5,852
Accumulated Other Comprehensive Loss					
Accumulated other comprehensive loss, beginning of period		$ (4,745)	$ (4,075)	$ (4,782)	$ (3,558)
Other comprehensive income attributable to shareholders		907	517	944	-
Accumulated Other Comprehensive Loss, End of Period		$ (3,838)	$ (3,558)	$ (3,838)	$ (3,558)
Total Shareholders' Equity		$ 73,231	$ 153,870	$ 73,231	$ 153,870
Non-controlling Interest					
Non-controlling interest, beginning of period		$ 53,081	$ 62,373	$ 52,920	$ 63,545
Total comprehensive income (loss) attributable to non-controlling interests	*8*	(17,086)	1,541	(16,925)	2,379
Distributions		(670)	(1,340)	(670)	(3,350)
Reclassification of share issues for notes payable		2,509	-	2,509	-
Non-controlling Interest, End of Period		$ 37,834	$ 62,574	$ 37,834	$ 62,574
Total Equity, End of Period		$ 111,065	$ 216,444	$ 111,065	$ 216,444

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 is 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 and carrying on business under the laws of the Province of Ontario. As at June 30, 2013, the Company's common share capital consisted of 17,188,635 issued and outstanding shares. Each share entitles the holder to one vote at all meetings of shareholders.

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. 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. Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders of the Company.

As at June 30, 2013, the Management Partnership holds 5,025,778 Class B partnership units representing 22.6% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 4,179,059 common shares of the Company, representing a total ownership of approximately 41.4% of the Company. The Management Partnership also holds 5,025,778 non-participating voting shares of the Company, which together with the 4,179,059 common shares of the Company held by the Management Partnership and affiliated partnerships, represents approximately 41.4% 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 2012 audited December 31, 2012 consolidated financial statements other than those in (c) below. 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 interim condensed consolidated financial statements were approved by the Board of Directors on August 7, 2013.

(b) Basis of measurement

These 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.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement (IFRS 13), which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 become effective for the Company on January 1, 2013 and did not have any impact on its financial statements.

(c) Basis of consolidation

In May 2011, the IASB issued the following new standards:

- IFRS 10, Consolidated Financial Statements, which will replace SIC-12, Consolidation − Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements;
- IFRS 11, Joint Arrangements which will replace IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities − Non-monetary Contributions by Venturers; and
- IFRS 12, Disclosure of Interests in Other Entities.

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company, and also require additional disclosure of all forms of interest that an entity holds. The standards became effective for the Company on January 1, 2013 and the Company will include any additional disclosures required by IFRS 12 for the first time in the annual financial statements for the year ending December 31, 2013. These new standards have no material impact on the period ending June 30, 2013.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity in order to obtain benefit from the activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that effective control commences, and are de-consolidated from the date control ceases.

Jointly controlled operations

Joint ventures are entities over which the Company has control together with one or more affiliated entities. Joint ventures are accounted for using the equity consolidation method.

Transactions eliminated on consolidation

Transactions, balances, income and expenses incurred within the consolidated group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest in IBI Group is exchangeable into the common shares of the Company. Changes in the equity of IBI Group and distributions to the non-controlling interest are recorded in non-controlling interest.

(d) 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").

NOTE 3: 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 June 30, 2013, with comparatives as at December 31, 2012:

	As at June 30, 2013			
	Canada	U.S.	International	Total
Property and equipment	$ 3,252	$ 1,685	$ 2,191	$ 7,128
Intangibles	15,398	6,163	1,587	23,148
Goodwill	78,063	5,324	381	83,768
Total assets	339,072	34,816	29,603	403,491

	As at December 31, 2012			
	Canada	U.S.	International	Total
Property and equipment	$ 3,349	$ 1,607	$ 2,440	$ 7,396
Intangibles	17,537	7,895	4,978	30,410
Goodwill	136,878	14,888	6,022	157,788
Total assets	388,151	42,367	36,525	467,043

The following table demonstrates certain information contained in the statement of comprehensive income segmented geographically for the three and six months ended June 30, 2013, with comparatives for the three and six months ended June 30, 2012. The unallocated amounts pertain to expenses relating to convertible debentures, taxes, and non-cash finance costs incurred by the Company.

	Three months ended June 30, 2013				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 54,504	$ 19,823	$ 12,418	$ 86,745
Net income (loss)	$ (1,955)	$ (55,260)	$ (13,202)	$ (5,622)	$ (76,039)

	Six months ended June 30, 2013				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 109,210	$ 39,682	$ 22,452	$ 171,344
Net income (loss)	$ (3,910)	$ (49,202)	$ (15,776)	$ (6,495)	$ (75,383)

	Three months ended June 30, 2012				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 56,529	$ 20,723	$ 11,306	$ 88,558
Net income (loss)	$ (1,955)	$ 5,784	$ 217	$ 1,634	$ 5,680

	Six months ended June 30, 2012				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 111,158	$ 42,729	$ 21,567	$ 175,454
Net income (loss)	$ (3,910)	$ 10,467	$ 494	$ 2,362	$ 9,413

NOTE 4: FINANCIAL INSTRUMENTS

(a) Indebtedness

IBI Group has a credit facility of $120,000, (the "Revolver Facility") with an $80,000 accordion feature for a total of $200,000. As of June 30, 2013, IBI Group had borrowings of $89,485 under the Revolving Facility compared with borrowings of $73,852 under the Revolving Facility as of December 31, 2012. According to the terms of the agreement, this Revolver Facility is set to mature on July 29, 2016.

As at June 30, 2013, the total balance of unamortized transaction costs was $975 (December 31, 2012 - $949). The net Revolver Facility after transaction costs on the statement of financial position was $88,509 as at June 30, 2013 (December 31, 2012 - $72,903).

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20,000 continues to be made available to meet certain project requirements calling for the issuance of bid bonds to international customers. As at June 30, 2013, IBI Group had issued bid bonds in the amount of $3,393 (December 31, 2012 – $3,926) 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 Revolver 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.

(b) Convertible debentures

The Company has three series of convertible debentures outstanding as at June 30, 2013.

6.0% Debentures

The 6.0% Debentures are recorded as compound financial instruments. As at June 30, 2013, the liability component has an amortized cost of $53,129 (December 31, 2012 - $52,778). The equity component for the conversion feature is $3,206. The 6.0% Debentures have a maturity date of September 30, 2018 at $57,500 and are convertible into common shares of the Company at the option of the holder at a conversion price of $21.00 per share.

5.75% Debentures

The 5.75% Debentures are recorded as compound financial instruments. As at June 30, 2013, the liability component has an amortized cost of $18,248 (December 31, 2012 - $18,067). The equity component for the conversion feature is $896. The 5.75% Debentures have a maturity date of September 30, 2017 at $20,000 and are convertible into shares of the Company at the option of the holder at a conversion price of $20.52 per unit.

7.0% Debentures

The 7.0% Debentures are recorded as compound financial instruments. As at June 30, 2013, the liability component has an amortized cost of $44,286 (December 31, 2012 - $43,768). The equity component for the conversion feature is $1,750. The 7.0% Debentures have a maturity date of December 31, 2014 at $46,000 and are convertible into shares of the Company at the option of the holder at a conversion price of $19.17 per share.

The movement in Convertible Debentures and related embedded derivative for the six months ended June 30, 2013 is as follows:

	Liability component	Equity component	Total
Balance, January 1, 2013	$ 114,613	$ 5,852	$ 120,465
Accretion of convertible debenture issue cost	1,050	-	1,050
Balance, June 30, 2013	$ 115,663	$ 5,852	$ 121,515

The movement in convertible debentures for the year ended December 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	1,967	-	1,967
Other	(41)	-	(41)
Balance, December 31, 2012	$ 114,613	$ 5,852	$ 120,465

(c) Financial assets and liabilities

The carrying amount of the Company's financial instruments as at June 30, 2013 are as follows:

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL	Total
Financial assets				
Accounts receivable	142,522			142,522
Income tax recoverable	3,208			3,208
Total	$ 145,730			$ 145,730
Financial liabilities				
Bank indebtedness		1,563		1,563
Accounts payable and accrued liabilities		42,257	338	42,595
Due to related parties		10,000		10,000
Notes payable		10,740		10,740
Income tax payable		3,204		3,204
Credit facility		88,509		88,509
Convertible debentures		115,663		115,663
Total		$ 271,936	$ 338	$ 272,274

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

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL	Total
Financial assets				
Accounts receivable	142,168			142,168
Income tax recoverable	3,374			3,374
Total	$ 145,542			$ 145,542

Financial liabilities			
Bank indebtedness	589		589
Accounts payable and accrued liabilities	47,791	338	48,129
Due to related parties	10,000		10,000
Notes payable	16,696		16,696
Income tax payable	3,010		3,010
Distributions payable	1,340		1,340
Credit facility	72,903		72,903
Convertible debentures	114,613		114,613
Total	$ 266,942	$ 338	$ 267,280

NOTE 5: 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 June 30, 2013 was $7,384 (three months ended June 30, 2012 - $6,155) and $14,312 for the six months ended June 30, 2013 (six months ended June 30, 2012 - $12,311).

- IBI Group makes a monthly distribution on Class B partnership units equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at June 30, 2013 the amount of distributions payable to the Management Partnership were nil (as at December 31, 2012 - $1,340).

- During the first quarter of 2010, the 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 credit facility with its bank lender and is unsecured. In February 2011, IBI Group repaid $6,000 of the advance. During the second quarter of 2012 IBI Group repaid $10,000 of the advance with the issuance of 667,000 common shares of the Company. Interest expense on this advance was $95 for the three months ended June 30, 2013 (three months ended June 30, 2012 - $74) and $188 for the six months ended June 30, 2013 (six months ended June 30, 2012 - $305). Subsequent to June 30, 2013, the Management Partnership agreed to extend the maturity date of the loan until April 1, 2015.

NOTE 6: EQUITY

(a) Shareholders' equity

As at June 30, 2013, the Company's common share capital consisted of 17,188,635 shares issued and outstanding.

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

The 5,025,778 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on June 30, 2013, the shares issued on such exchange would have represented a 22.6% 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 June 30, 2013.

Issuances

During the three months ended June 30, 2013, the Company issued 44,780 common shares for acquisition payments for a total of $77. These share issuances were settled by reducing notes payable.

During the three months ended June 30, 2013, the Company issued 12,439 common shares under the DRIP for a total of $73.

During the three months ended March 31, 2013, the Company issued 286,000 common shares for acquisition payments for a total of $1,807. These share issuances were settled by reducing notes payable.

Dividends

For each of the three months ended June 30, 2013, the Company declared no dividends (each of the three months ended June 30, 2012 - $0.092 per share per month). In February 2013, the Company declared monthly quarterly dividend of $0.1375 per qualifying ordinary share for total dividends declared during the six months ended of $2,316 (for six months ended June 30, 2012 - $8,155).

Earnings per share

The calculation of basic and diluted earnings per share for the three and six months ended June 30, 2013 is demonstrated in the following table:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net income (loss) attributable to owners of the Company	$ (58,683)	$ 4,304	$ (58,178)	$ 7,000
Weighted average common shares outstanding	17,163	15,377	17,047	14,391
Basic and diluted earnings (loss) per common share	$ (3.4193)	$ 0.2799	$ (3.4128)	$ 0.4864

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 interests in the Company's subsidiaries are exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the June 30, 2013 statement of changes in equity. The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net income (loss)	$ (76,039)	$ 5,680	$ (75,383)	$ 9,413
Non-controlling interest share of ownership	22.7%	24.2%	22.8%	25.6%
Net income (loss) attributable to non-controlling interest	$ (17,356)	$ 1,376	$ (17,205)	$ 2,413

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Total comprehensive income (loss)	$ (74,862)	$ 6,362	$ (74,159)	$ 9,379
Non-controlling interest share of ownership	22.7%	24.2%	22.8%	25.6%
Total comprehensive income (loss) attributable to non-controlling interest	$ (17,086)	$ 1,541	$ (16,925)	$ 2,379

NOTE 7: 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.

If the interest rate on the Company's variable rate loan balance as at June 30, 2013, had been 50 basis points higher, with all other variables held constant, net income for the six months ended June 30, 2013 would have decreased by approximately $206, 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 1% higher or lower at June 30, 2013, with all other variables held constant, net income would have increased or decreased by $120 for the six months ended June 30, 2013.

(b) Credit risk

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. 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). At June 30, 2013 there were 80 working days of revenue in accounts receivable, consistent with 80 days at December 31, 2012. The maximum exposure to credit risk, at the date of the statement of financial 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 in 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 with the entire allowance for impairment losses relating to accounts receivable over 90 days:

	June 30, 2013	December 31, 2012
Current	$ 39,989	$ 46,707
30 to 90 days	36,430	36,929
Over 90 days	78,533	69,152
Allowance for impairment losses	(12,430)	(10,620)
Total	$ 142,522	$ 142,168

(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 June 30, 2013, the Company had $1,563 of bank indebtedness plus $25,559 of unutilized credit under the $120,000 Revolver Facility. This unutilized credit is further limited by a covenant restriction of three times trailing twelve months adjusted EBITDA[1]. The Company also has an accordion feature of $80,000 under the Facility.

As at December 31, 2012, the Company had $589 of bank indebtedness plus $42,221 of unutilized credit available 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 credit facility 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 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 June 30, 2013, December 31, 2012 and June 30, 2012, the Company was in compliance with all covenants under its credit facilities.

[1] References to "EBITDA" in note 7 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.

Management expects to be in compliance with its covenants for the foreseeable future. Continued compliance with the covenants, however, is dependent on the Company achieving certain forecasts and the overall improvement of working capital. While management is confident in its plans, market conditions have been difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-compliance, the Company's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if the Company cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, the Company will carefully monitor its compliance with the covenants and will seek variances as may become necessary from time to time.

The Company has a convertible debenture with a face value of $46,000 maturing December 31, 2014 which will need to be refinanced.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2013.

NOTE 8: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Accounts receivable	$ (1,803)	$ (4,412)	$ 2,287	$ (8,984)
Work in process	(3,028)	(1,985)	(14,713)	(5,601)
Prepaid expenses and other assets	71	2,487	1,314	1,848
Bank indebtedness	1,563	-	974	-
Accounts payable	(4,979)	(2,602)	(6,833)	(9,870)
Deferred revenue	1,332	(1,710)	3,448	(2,381)
Income taxes payable	12	1,312	1,554	1,909
Acquisition of working capital	-	(367)	(717)	91
Decrease in non-cash operating working capital	$ (6,832)	$ (7,277)	$ (12,686)	$ (22,988)

NOTE 9: FINANCE COSTS

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest on long term debt	$ 788	$ 640	$ 1,427	$ 1,324
Interest on convertible debentures	1,955	1,955	3,910	3,910
Non-cash accretion of convertible debentures	531	486	1,050	962
Other	203	229	472	717
Interest expense, net	$ 3,477	$ 3,310	$ 6,859	$ 6,913
Amortization of deferred financing costs	$ 78	$ 54	$ 147	$ 108
Change in fair value of interest rate swap	-	(12)	(1)	(7)
Other	44	54	127	157
Other finance costs	$ 122	$ 96	$ 273	$ 258
Finance costs for the period	$ 3,599	$ 3,406	$ 7,132	$ 7,171

NOTE 10: ACQUISITIONS

(a) Acquisitions in 2012

2012

- On December 12, 2012, the Company closed the acquisition of all of the outstanding shares of M·E Companies, Inc. ("MEC"). MEC is a full service engineering firm with expertise in comprehensive management, engineering design, surveying and construction services with offices located in the Columbus, Canton and Cincinnati areas of Ohio, USA. The firm currently has 80 staff.

  The business combination was structured as a share acquisition; $3,271 was paid on closing, the balance of $3,271 will be paid in instalments over the two year period from the acquisition date.

- On August 3, 2012, the Company closed the acquisition of all of the outstanding shares of the professional practice of Taylor Young Limited Architects and Master Planners ("Taylor Young") in the United Kingdom. Taylor Young is a full services architectural practice including professional skills in urban planning and design and landscape architecture. The practice is based in Manchester, UK with offices in Liverpool and London. The firm currently has some 80 professional staff for a total complement of approximately 100 staff members.

  The business combination was structured as a share acquisition; $1,463 was paid on closing, the balance of $2,336 will be paid in instalments over the two year period from the acquisition date.

(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, December 31, 2012	$ 16,696	$ 338
Share issuances	(2,470)	-
Cash payments	(1,248)	-
Foreign exchange translation	544	-
Reclassification to non-controlling interest	(2,509)	-
Other	(273)	-
Balance, June 30, 2013	$ 10,740	$ 338

Contingent consideration

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 June 30, 2013 and December 31, 2012. It is classified as accrued liabilities on the statement of financial position.

Purchase price adjustments

During the first quarter of 2013, the Company adjusted the notes payable and accrued liabilities for the acquisition of Tetra Design Inc. The adjustment resulted in a decrease in notes payable of $273 and an increase to accrued liabilities of $273.

During the first quarter of 2013, the Company adjusted the net working capital and goodwill for the acquisition of M·E Companies, Inc. The adjustment resulted in a decrease to net working capital of $444 and an increase in goodwill of $444. The purchase accounting is not yet finalized.

NOTE 11: GOODWILL

During the second quarter of 2013 the share price of the Company decreased, adversely impacting its market capitalization. The performance of certain cash generating units (CGU's) of the company have also been weaker than expected and as a result the Company performed a test for goodwill impairment in the second quarter of 2013. For the purposes of assessing impairment where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs was estimated. A CGU is defined as the smallest identifiable group of assets for which there are separately identifiable cash inflows. The lowest level within the consolidated group at which the goodwill is monitored for internal management purposes, depends on the timing and integration of the legal entities acquired where goodwill arose on the business combination.

Where recently acquired subsidiaries are still operating as if they are an independent branch, i.e. negotiating, writing and collecting all contracts under the predecessor name, not sharing significant resources or staff, etc. with IBI Group, the entity is considered an independent CGU.

Where groups of entities within the consolidated group share contracts, resources and contribute to the cash inflows of one another, management assessed where independent cash inflows could be identified by grouping the lowest number of entities, which is by geographic location.

- The recoverable amount of each CGU was based on the higher of fair value less cost to sell and value in use, which was determined to be fair value less costs to sell for all CGUs. The fair value less costs to sell of each CGU was calculated by taking an average of:
    - The CGU's January 1, 2012 to December 31, 2012 EBITDA[1] multiplied by an earnings multiple of eight.
    - The CGU's July 1, 2012 to June 30, 2013 trailing twelve months EBITDA[1] multiplied by an earnings multiple of eight.
    - The CGU's January 1, 2013 to December 31, 2013, six month actual EBITDA[1] plus six month management forecasted EBITDA[1] for 2013 multiplied by an earnings multiple of seven.

  An optimal working capital calculation was estimated by multiplying the trailing twelve months revenue as at June 30, 2013 by the historical rate of working capital required by the CGU to operate. The fair value was adjusted for any redundant or deficient working capital of the CGU

[1] References to "EBITDA" in respect of impairment testing is to earnings before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

when compared to the optimal working capital amount. Finally, estimated costs to sell of 3% were deducted from the fair value calculation, which is in line with the average transaction costs in recent acquisitions made by the Company.

- The earnings multiple of eight was selected to apply to historical EBITDA[1] based on search of industry comparables provided by third party advisors. The earnings multiple of seven was selected to apply to the six month actual plus six month forecasted EBITDA[1] in order to incorporate a discount to the six months of forecasted EBITDA[1].

- All assumptions used were based on the Company's internal budget, financial reports for current and past periods, as well as multiples and historic EBITDA[1] figures provided by third party advisors. In arriving at its budget, the Company considered past experience, economic trends such as GDP growth and inflation as well as industry and market trends. The projection also took into account the expected impact from new service initiatives, customer retention and integration programs, and the maturity of the markets in which the business operates.

As a result of the analysis the Company has recorded an impairment charge of $75,269 to goodwill and $4,332 to intangibles in the period. In 2013 the Company had 18 CGU's, the allocation of the impairment charge by segment is identified below:

	As at June 30, 2013		
	Goodwill Impairment	Intangible Impairment	Total
Canada	$ 51,005	$ -	$ 51,005
US	16,657	1,433	18,090
International	7,607	2,899	10,506
Total Impairment	$ 75,269	$ 4,332	$ 79,601

The following table presents the Company's goodwill as at December 31, 2012 and June 30, 2013:

	Cost	Accumulated impairment	Goodwill
Balance, December 31, 2012	$ 187,480	$ 29,692	$ 157,788
Purchase price adjustments	444	-	444
Impairment	-	75,269	(75,269)
Foreign exchange translation	805	-	805
Balance, June 30, 2013	$ 188,729	$ 104,961	$ 83,768

NOTE 12: INCOME TAXES

The provision for income taxes in the consolidated statement of comprehensive income represents an effective tax rate different than the Canadian enacted or substantively enacted statutory rate of approximately 26.5% (June 30, 2012 – 26.5%). The differences are as follows:

	Six months ended	
	June 30, 2013	June 30, 2012
Net income (loss) for the period	$ (75,383)	$ 9,413
Total tax expense	(951)	1,554
Net income (loss) before taxes	$ (76,334)	$ 10,967
Income tax using the Company's domestic tax rate	$ (20,229)	$ 2,906
Income tax effect of:		
Non-deductible expenses	505	(118)
Change in deferred tax rates	23	39
Non-controlling interests share of income	(551)	(869)
Operating in jurisdictions with different tax rates	(1,517)	(64)
Change in unrecognized temporary differences	2,049	(878)
Goodwill impairment	18,690	-
Other	79	538
Income tax expense (recovery)	$ (951)	$ 1,554

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits, together with future tax-planning strategies.

NOTE 13: 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, 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.