Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three and six months ended June 30, 2012 and 2011

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position

(thousands of Canadian dollars)	**Notes**	**June 30, 2012** *(unaudited)*	**December 31, 2011**
Assets			
Current Assets			
Cash and cash equivalents	*5*	$ 620	$ 2,358
Accounts receivable	*5,8*	143,818	134,779
Work in process		124,250	118,608
Prepaid expenses and other current assets		8,818	10,616
Income tax recoverable		1,355	1,703
Total Current Assets		$ 278,861	$ 268,064
Property and equipment		7,616	7,537
Intangible assets		27,389	31,160
Goodwill		168,542	169,766
Deferred tax assets		5,735	5,332
Total Assets		$ 488,143	$ 481,859
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	*11*	$ 45,111	$ 54,964
Notes payable	*11*	10,949	16,080
Deferred revenue		10,492	12,885
Income taxes payable		3,404	4,765
Dividends payable		1,521	1,195
Distributions payable		-	1,340
Total Current Liabilities		$ 71,477	$ 91,229
Due to related parties	*6*	10,000	20,000
Notes payable	*11*	1,824	3,831
Unrealized interest rate swap losses	*5,8*	29	36
Long-term debt	*5*	66,076	76,941
Convertible debentures	*5*	113,608	112,687
Deferred tax liabilities		8,685	9,455
Total Liabilities		$ 271,699	$ 314,179
Equity			
Shareholders' Equity			
Share capital	*7*	228,533	176,109
Deficit		(76,957)	(74,268)
Convertible debentures - equity component	*5*	5,852	5,852
Accumulated other comprehensive loss		(3,558)	(3,558)
Total Shareholders' Equity		$ 153,870	$ 104,135
Non-controlling interest	*7*	62,574	63,545
Total Equity		$ 216,444	$ 167,680
Total Liabilities and Equity		$ 488,143	$ 481,859

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, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue		$ 88,558	$ 82,301	$ 175,454	$ 160,086
Salaries, fees and employee benefits		61,089	55,246	121,640	108,234
Rent		5,157	4,902	10,331	9,759
Other operating expenses		9,828	9,386	19,426	18,296
Foreign exchange loss (gain)	*8*	(142)	66	147	284
Amortization of intangible assets		1,710	1,908	3,492	3,780
Amortization of property and equipment		795	694	1,572	1,552
Impairment of financial assets	*5*	433	209	708	420
		78,870	72,411	157,316	142,325
Operating Income		$ 9,688	$ 9,890	$ 18,138	$ 17,761
Interest expense, net	*10,13*	3,310	3,879	6,913	7,381
Other finance costs	*10*	96	479	258	702
Finance Costs		$ 3,406	$ 4,358	$ 7,171	$ 8,083
Current tax expense		1,047	1,548	2,137	3,200
Deferred tax expense (recovery)		(445)	(263)	(583)	2,230
Income taxes		$ 602	$ 1,285	$ 1,554	$ 5,430
Net Income for the Period		$ 5,680	$ 4,247	$ 9,413	$ 4,248
Other comprehensive income (loss)					
Income (loss) on translating financial statements of foreign operations, net of tax		682	(779)	(34)	(1,420)
Other comprehensive income (loss), net of tax		682	(779)	(34)	(1,420)
Total Comprehensive Income		$ 6,362	$ 3,468	$ 9,379	$ 2,828
Net income attributable to:					
Owners of the Company		$ 4,304	$ 3,061	$ 7,000	$ 3,062
Non-controlling interests	*7*	1,376	1,186	2,413	1,186
Net income for the period		$ 5,680	$ 4,247	$ 9,413	$ 4,248
Total comprehensive income attributable to:					
Owners of the Company		$ 4,821	$ 2,499	$ 7,000	$ 2,038
Non-controlling interests	*7*	1,541	969	2,379	790
Total comprehensive income for the period		$ 6,362	$ 3,468	$ 9,379	$ 2,828
Earnings per share					
Basic and diluted earnings per share	*7*	$ 0.2799	$ 0.2360	$ 0.4864	$ 0.2364

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 June 30, 2012**	**Three months ended June 30, 2011**	**Six months ended June 30, 2012**	**Six months ended June 30, 2011**
Cash Flows provided by (used in) Operating Activities					
Net income		$ 5,680	$ 4,247	$ 9,413	$ 4,248
Items not affecting cash:					
Amortization of property and equipment		795	694	1,572	1,552
Amortization of intangible assets		1,710	1,908	3,492	3,780
Amortization of deferred financing costs		54	385	108	505
Interest expense, net		3,310	3,879	6,913	7,381
Deferred income taxes		(445)	(263)	(583)	2,230
Change in fair value of financial instruments	*5*	(12)	(197)	(7)	(383)
Interest paid		(2,823)	(3,433)	(5,951)	(6,548)
Income taxes paid		(1,810)	(1,285)	(2,909)	(2,488)
Change in non-cash operating working capital	*9*	(7,277)	(23,372)	(22,988)	(24,589)
Net Cash (used in) Operating Activities		$ (818)	$ (17,437)	$ (10,940)	$ (14,312)
Cash Flows provided by (used in) Financing Activities					
Payments on principal of notes payable		(1,804)	(3,653)	(3,999)	(3,653)
Proceeds from (payments on) principal of term debt		(27,000)	21,137	(11,000)	(10,205)
Dividends paid to shareholders		(4,230)	(3,577)	(7,829)	(7,678)
Distributions paid to non-controlling interest		(3,350)	(1,340)	(4,690)	(2,680)
Advances from (payments to) related parties	*6*	-	-	-	(6,000)
Issue of share capital, net of issue costs	*7*	38,415	-	38,415	-
Proceeds of issuance of convertible debentures, net of transaction costs		-	-	-	54,619
Net Cash provided by Financing Activities		$ 2,031	$ 12,567	$ 10,897	$ 24,403
Cash Flows (used in) Investing Activities					
Purchase of property and equipment		(749)	(607)	(1,619)	(1,197)
Acquisitions, net of cash acquired	*11*	-	-	-	(7,408)
Net Cash (used in) Investing Activities		$ (749)	$ (607)	$ (1,619)	$ (8,605)
Effect of foreign exchange rate fluctuations on cash held	*8*	(144)	(64)	(76)	(509)
Net increase (decrease) in cash and cash equivalents		$ 320	$ (5,541)	$ (1,738)	$ 977
Cash and cash equivalents, beginning of period		300	10,180	2,358	3,662
Cash and Cash Equivalents, End of Period		$ 620	$ 4,639	$ 620	$ 4,639

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 June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Share Capital					
Share capital, beginning of period		$ 177,086	$ 174,878	$ 176,109	$ -
Issuance upon conversion from trust to corporation	7	-	-	-	174,610
Shares issued from treasury	7	51,447	683	52,424	951
Share Capital, End of Period		$ 228,533	$ 175,561	$ 228,533	$ 175,561
Deficit					
Deficit, beginning of period		$ (75,177)	$ (70,415)	$ (74,268)	$ (66,847)
Net income attributable to owners of the Company		4,304	3,061	7,000	3,062
Dividends declared to shareholders		(4,550)	(3,581)	(8,155)	(7,150)
Issue cost		(1,534)	-	(1,534)	-
Deficit, End of Period		$ (76,957)	$ (70,935)	$ (76,957)	$ (70,935)
Convertible Debentures - Equity Component					
Convertible debentures, beginning of period		$ 5,852	$ 5,852	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	$ 5,852	$ 5,852
Accumulated Other Comprehensive Loss					
Accumulated other comprehensive loss, beginning of period		(4,075)	(4,419)	(3,558)	(3,958)
Other comprehensive income (loss) attributable to shareholders		517	(561)	-	(1,022)
Accumulated Other Comprehensive Loss, End of Period		$ (3,558)	$ (4,980)	$ (3,558)	$ (4,980)
Total Shareholders' Equity		$ 153,870	$ 105,777	$ 153,870	$ 105,498
Non-controlling Interest					
Non-controlling interest, beginning of period		$ 62,373	$ 66,380	63,545	-
Reclassification upon conversion from a trust to a corporation		-	-	-	67,899
Total comprehensive income attributable to non-controlling interests	9	1,541	969	2,379	790
Distributions		(1,340)	(2,233)	(3,350)	(3,573)
Non-controlling Interest, End of Period		$ 62,574	$ 65,116	$ 62,574	$ 65,116
Total Equity, End of Period		$ 216,444	$ 170,614	$ 216,444	$ 170,614

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. As at June 30, 2012, the Company's common share capital consisted of 16,533,220 shares issued and outstanding. 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.

As at June 30, 2012, the Management Partnership holds 5,025,778 Class B partnership units representing 23.3% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 3,964,511 common shares of the Company, representing a total ownership of approximately 41.7% of the Company. The Management Partnership also holds 5,025,778 non-participating voting shares of the Company, which together with the 3,964,511 common shares of the Company held by the Management Partnership and affiliated partnerships, represents approximately 41.7% 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 interim condensed consolidated financial statements were approved by the Board of Directors on August 8, 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

The Company records its work in process based on the time and materials charged into each project. The work in process for each project is reviewed on a monthly basis to determine whether the amounts recorded are true reflection of the amount that will be invoiced on the project. Where the review determines that the value of work in process exceeds the amount that can be invoiced, provisions are made to the work in process and revenue is reduced. The valuation of the work in process involves estimates of the volume of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the undervaluation or overvaluation of work in process.

Determining of allowance for doubtful accounts receivable

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables. The Company uses estimates in arriving at its allowance for doubtful accounts that are based on the age of the outstanding receivables and on its historical collection and loss experience.

Determining deferred revenue

The Company records its deferred revenue based on projects for which billings exceed work in process. Estimating total direct labor 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 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., backlog, client 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).

Determining probable future utilization of tax loss carryforwards

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.

Selecting inputs, including fair value multiples, discount rates, and forecasts used in calculating the recoverable amount for testing impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of such data, other valuation techniques can be used to estimate fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years. The recoverable amount, when based on a discounted cash flow methodology, is most sensitive to the discount rate used, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, the Company estimates economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

Measuring fair value of financial instruments

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data (see note 5).

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 the Company 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 June 30, 2012, with comparatives as at December 31, 2011:

	As at June 30, 2012			
	Canada	U.S.	International	Total
Property and equipment	$ 4,020	$ 1,476	$ 2,120	$ 7,616
Intangibles	16,560	7,396	3,433	27,389
Goodwill	139,618	21,723	7,201	168,542
Total assets	$ 439,258	$ 12,128	$ 36,757	$ 488,143

	As at December 31, 2011			
	Canada	U.S.	International	Total
Property and equipment	$ 4,386	$ 1,571	$ 1,580	$ 7,537
Intangibles	19,285	8,218	3,657	31,160
Goodwill	139,618	23,030	7,118	169,766
Total assets	$ 427,599	$ 17,441	$ 36,819	$ 481,859

The following table demonstrates certain information contained in the statement of comprehensive income segmented geographically for the three and six months ended June 30, 2012, with comparatives for the three and six months ended June 30, 2011. 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, 2012				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 56,529	$ 20,723	$ 11,306	$ 88,558
Net income for the period	$ (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 for the period	$ (3,910)	$ 10,467	$ 494	$ 2,362	$ 9,413

	Three months ended June 30, 2011				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 53,052	$ 18,862	$ 10,387	$ 82,301
Net income for the period	$ (2,218)	$ 3,955	$ 745	$ 1,765	$ 4,247

	Six months ended June 30, 2011				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	$ -	$ 101,865	$ 35,751	$ 22,470	$ 160,086
Net income for the period	$ (7,595)	$ 6,881	$ 862	$ 4,100	$ 4,248

NOTE 5: FINANCIAL INSTRUMENTS

(a) Indebtedness

IBI Group has a revolving credit facility of $120,000 (the "Revolver Facility") with an $80,000 accordion feature. As at June 30, 2012, IBI Group had borrowings of $66,952 under the Revolver Facility, compared with borrowings of $77,925 under the Revolver Facility as at December 31, 2011.

As at June 30, 2012, the total balance of unamortized transaction costs was $877 (December 31, 2011 - $984). The net long-term debt after transaction costs on the statement of financial position was $66,076 as at June 30, 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 June 30, 2012, IBI Group had issued bid bonds in the amount of $4,464 (December 31, 2011 – $4,352) under the Bid Bond Facility.

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, 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 June 30, 2012, the liability component has an amortized cost of $52,441 (December 31, 2011 – $52,130). The equity component, an embedded derivative, reflects the fair value of the conversion option of the 6.0% Debentures at the issuance date. The 6.0% Debentures have a maturity date of June 30, 2018 at $57,500.

5.75% Debentures

For the periods ended June 30, 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 June 30, 2012, the liability component has an amortized cost of $17,894 (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. The 5.75% Debentures have a maturity date of June 30, 2017 at $20,000.

7.0% Debentures

For the periods ended June 30, 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 June 30, 2012, the liability component has an amortized cost of $43,273 (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 7.0% Debentures have a maturity date of December 31, 2014 at $46,000.

The movement in Convertible Debentures and related embedded derivative for the six months ended June 30, 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	961	-	961
Other	(40)	-	(40)
Balance, June 30, 2012	$ 113,608	$ 5,852	$ 119,460

(c) Derivatives

As at June 30, 2012, the Company had a total of $30,000 (December 31, 2011 - $46,000) notional amounts of interest-rate swap agreements outstanding with a fair value of the swap liability of $29 (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 for accounting purposes; 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 asset or liability.

The change in the fair value of the interest rate swap, estimated using third-party market indicators and forecasts at a gain of $12 for the three months ended June 30, 2012 (three months ended June 30, 2011 - gain of $197) and a gain of $7 for the six months ended June 30, 2012 (six months ended June 30, 2011 – gain of $383).

(d) Financial assets and liabilities

The carrying amount of the Company's financial instruments as at June 30, 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	$ 620				$ 620
Accounts receivable	143,818				143,818
Income tax recoverable	1,355				1,355
Total	$ 145,793				$ 145,793
Financial liabilities					
Accounts payable and accrued liabilities		44,773		338	45,111
Due to related parties		10,000			10,000
Notes payable		12,773			12,773
Income tax payable		3,404			3,404
Dividend payable		1,521			1,521
Unrealized interest rate swap gain			29		29
Long-term debt		66,076			66,076
Convertible debentures		113,608			113,608
Total		$ 252,155	$ 29	$ 338	$ 252,522

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 June 30, 2012 was $6,155 (three months ended June 30, 2011 - $5,431) and $12,311 for the six months ended June 30, 2012 (six months ended June 30, 2011 - $10,600).

- 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 June 30, 2012 the amount of distributions payable to the Management Partnership was nil (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. During the quarter ended June 30, 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 $74 for the three months ended June 30, 2012 (three months ended June 30, 2011 - $181) and $305 for the six months ended June 30, 2012 (six months ended June 30, 2011 - $362).

NOTE 7: EQUITY

(a) Shareholders' equity

As at June 30, 2012, the Company's common share capital consisted of 16,533,220 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, 2012, the shares issued on such exchange would have represented a 23.3% 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, 2012.

Issuances

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 $40,500.

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 $10,000 of indebtedness owed by the Company to the Management Partnership.

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

During the three months ended June 30, 2012, the Company issued 17,000 common shares for acquisition payments at $15.28 per share and 58,000 common shares at $11.77 per share for a total of $947. These share issuances were settled by reducing notes payable.

During the three months ended March 31, 2012, the Company issued 51,000 common shares for acquisition payments 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.

Dividends

For each of the three months ended June 30, 2012, the Company declared monthly dividends at a rate of $0.092 (each of the three months ended June 30, 2011 - $0.092) per qualifying ordinary share for total dividends declared during the quarter of $4,549 (for three months ended June 30, 2011 - $3,581). For each of the six months ended June 30, 2012, the Company declared monthly dividends at a rate of $0.092 (each of the six months ended June 30, 2011 - $0.092) per qualifying ordinary share for total dividends declared during the period of $8,154 (for six months ended June 30, 2011 - $7,150).

Earnings per share

The calculation of basic and diluted earnings per share for the three and six months ended June 30, 2012 is demonstrated in the following table:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income attributable to owners of the Company	$ 4,304	$ 3,061	$ 7,000	$ 3,062
Weighted average common shares outstanding	15,377	12,968	14,391	12,948
Basic and diluted earnings per common share	$ 0.2799	$ 0.2360	$ 0.4864	$ 0.2364

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, 2012 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, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income	$ 5,680	$ 4,247	$ 9,413	$ 4,248
Non-controlling interest share of ownership	24.2%	27.9%	25.6%	27.9%
Net income attributable to non-controlling interest	$ 1,376	$ 1,186	$ 2,413	$ 1,186

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Total comprehensive income (loss)	$ 6,362	$ 3,468	$ 9,379	$ 2,828
Non-controlling interest share of ownership	24.2%	27.9%	25.6%	27.9%
Total comprehensive income (loss) attributable to non-controlling interest	$ 1,541	$ 969	$ 2,379	$ 790

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 June 30, 2012, a notional amount of $30,000 (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 June 30, 2012, had been 50 basis points higher, with all other variables held constant, net income would have decreased by approximately $137, net of income tax, for the six months ended June 30, 2012 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 foreign exchange forward 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, 2012, with all other variables held constant, net income would have increased or decreased by $16 for the six months ended June 30, 2012.

(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 June 30, 2012 there were 82 working days of revenue in accounts receivable, a slight decrease from 86 days at June 30, 2011 and an increase from 77 days at December 31, 2011. 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 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: The net amount over 90 days is net of the allowance for impairment losses.

	June 30, 2012	December 31, 2011
Current	$ 40,549	$ 38,533
30 to 90 days	35,827	31,717
Over 90 days	74,420	71,898
Allowance for impairment losses	(6,978)	(7,369)
Total	$ 143,818	$ 134,779

[1] References to "working days of revenue in accounts receivable" in note 8(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.

(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, 2012, the Company had $620 of cash and cash equivalents plus $53,048 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 June 30, 2012; December 31, 2011 and June 30, 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 June 30, 2012.

[1] References to "EBITDA" in note 8(d) is to the earnings before interest, income taxes, foreign exchange gains and losses, 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.

NOTE 9: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Accounts receivable	$ (4,412)	$ (13,879)	$ (8,984)	$ (8,069)
Work in process	(1,985)	(6,864)	(5,601)	(17,334)
Prepaid expenses and other assets	2,487	(721)	1,848	(37)
Accounts payable	(2,602)	(2,747)	(9,870)	(5,959)
Deferred revenue	(1,710)	960	(2,381)	2,728
Income taxes payable	1,310	2,459	1,909	4,087
Acquisition of working capital	(366)	(2,580)	91	(5)
Decrease in non-cash operating working capital	$ (7,277)	$ (23,372)	$ (22,988)	$ (24,589)

NOTE 10: FINANCE COSTS

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Interest on long term debt	$ 640	$ 843	$ 1,324	$ 1,863
Interest on convertible debentures	1,955	1,770	3,910	3,268
Non-cash accretion of convertible debentures	486	446	962	833
Other	229	820	717	1,417
Interest expense, net	$ 3,310	$ 3,879	$ 6,913	$ 7,381
Amortization of deferred financing costs	$ 54	$ 385	$ 108	$ 505
Change in fair value of interest rate swap	(12)	(197)	(7)	(383)
Other	54	291	157	580
Other finance costs	$ 96	$ 479	$ 258	$ 702
Finance costs for the period	$ 3,406	$ 4,358	$ 7,171	$ 8,083

NOTE 11: ACQUISITIONS

(a) 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, 2011	$ 19,911	$ 338
Additions for acquisitions in the period	-	-
Share issuances	(1,726)	-
Payments	(4,002)	-
Foreign exchange translation	(27)	-
Other	(1,383)	-
Balance, June 30, 2012	$ 12,773	$ 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, 2012 and December 31, 2011. It is classified as accrued liabilities on the balance sheet.

Purchase price adjustments

During the second quarter of 2012, the Company adjusted the working capital and notes payable on the Bay acquisition. This adjustment resulted in a decrease in net working capital of $321, a decrease in goodwill of $869 and a decrease in notes payable of $1,190.

During the second quarter of 2012, the Company adjusted the notes payable on the Nightingale acquisition. This adjustment resulted in an increase income of $249, and a decrease in notes payable of $249.

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 JUNE 30, 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 and incorrectly calculating the interest on the loan due to the Management Partnership. The Company has recalculated in accordance with IFRS and increased the non-cash imputed interest expense and the interest expense on the loan to the Management Partnership. The June 30, 2011 comparative figures displayed in these financial statements and accompanying notes for the three and six months ended June 30, 2012 have been updated to reflect the correct interest expense. This impacted the distribution of interest expense throughout the quarters in 2011, however the 2011 annual financial statements correctly reflected the amounts.

The impact arising from the change is summarized as follows:

	Three months ended June 30, 2011	Six months ended June 30, 2011
Statement of comprehensive income		
Non-cash imputed interest expense	$ 445	$ 832
Decrease in income before income tax	$ 445	$ 832

	Three months ended June 30, 2011	Six months ended June 30, 2011
Statement of financial position		
Increase in convertible debentures – liability component	$ 445	$ 832
Increase to deficit	$ 445	$ 832

NOTE 14: SUBSEQUENT EVENTS

On August 3, 2012 the Company closed the acquisition of the professional practice of Taylor Young Limited Architects and Master Planners in the United Kingdom. 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 currently has some 80 professional staff for a total complement of approximately 100 staff members.