IBI Group 2014
First-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
MARCH 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
IBI Group Inc.
For the Three Months Ended March 31, 2014

The following Management's Discussion and Analysis ("MD&A") of interim operating results and financial position of IBI Group Inc. and its subsidiaries ("the Company") for the first quarter ended March 31, 2014 should be read in conjunction with the accompanying Unaudited Interim Condensed Consolidated Financial Statements for the periods ended March 31, 2014 and 2013, the MD&A in the fiscal year 2013 Annual Report and the audited Consolidated Financial Statements for the year ended December 31, 2013 including the notes thereto. Additional information relating to the Company, including Annual Information Form, is available on SEDAR at www.sedar.com.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") for financial statements and is expressed in thousands of Canadian dollars.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the Company's best information and judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See "Forward Looking Statements and Risk Factors" below for more information.

COMPANY PROFILE

The business of the Company is conducted through IBI Group Partnership ("IBI Group"), a global architecture, engineering, planning and technology company, which operates more than 60 offices in 15 countries across the world.

IBI Group's business, consulting services, is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

The Company provides these services to clients through local offices in Canada, the United States, the United Kingdom, Europe, the Middle East, Asia, Africa, Mexico, the Caribbean and Central America.

FINANCIAL HIGHLIGHTS

(in thousands of dollars except for per share amounts)	Three months ended March 31, 2014 *(unaudited)*	Three months ended December 31, 2013 *(unaudited)*	Three months ended March 31, 2013 *(unaudited)*
Number of workings days	62	63	61
Revenue	$ 81,710	$ 77,829	$ 84,599
Net income (loss)	$ 1,196	$ (3,795)[2]	$ 656
Basic and diluted earnings per share ("EPS")	$ 0.05	$ (0.17)[3]	$ 0.03
EBITDA[1]	$ 5,018	$ 2,396	$ 7,300
EBITDA[1] as a percentage of revenue	6.1%	3.1%	8.6%
Cash from (used in) operations	$ 1,929	$ 15,034	$ (3,708)

OVERVIEW

Revenue increased to $81.7 million (up 5%) for the three months ended March 31, 2014 compared $77.8 million for the three months ended December 31, 2013 (Adjusted Revenue for the three months ended September 30, 2013 was $73.8 million) as the Company continues to return to more normalized results.

EBITDA[1] as a percentage of revenue increased to 6.1% compared with 3.1% for the three months ended December 31, 2013 as the Company continues to identify synergies across offices, implement cost management initiatives and increase employee utilization, in addition to achieving growth in sales.

The first quarter of fiscal year 2014 had net income of $1.2 million compared to a net loss of $100.9 million for the three months ended December 31, 2013. After adjusting the Q4 2013 net loss for the impact of the impairment charge recorded on goodwill and intangible assets, the adjusted net loss[2] was $3.8 million, thereby resulting in a $5 million increase in net income. The increase was primarily attributable to the $3.9 million increase in revenue this period, a $1.5 million reduction in amortization charges on property, equipment and intangible assets which were written down in fiscal 2013, a $1.1 million increase in foreign exchange gain as a result of the weaker Canadian versus U.S. dollar, a $0.4 million decrease in acquisition related costs which were non-recurring, and a $0.5 million reduction in tax expense due to tax losses available from prior periods used to reduce current period income. Notable increases in expenses resulted from a $1.6 million or a 2.8% increase for salaries, fees and employee benefits to $59.1 million. When compared as a percentage of revenue, total salaries, fees and employee benefits were 72.3% for the three months ended March 31, 2014 compared to 73.9% for the three months ended December 31, 2013 (72.7% for the same period last year). The Company is currently working on reducing this even further.

Relative to the same quarter last year, net income increased by $0.5 million or 82%. While there was a slight decrease in revenue of 3% or $2.9 million, this was offset by a 4% or $2.4 million reduction in salaries, fees and employee benefits, a $1.4 million increase in foreign exchange gain as a result of the weaker Canadian versus U.S. dollar, a $1.4 million reduction in amortization charges on intangible assets which were written down in fiscal 2013, and a $0.8 million reduction in tax expense primarily due to tax losses available from prior periods used to reduce current period income. Notable increases in expenses resulted from a 13% or $0.6 million increase for rent charges attributed to the new Toronto location, $0.7 million in receivables which were deemed uncollectible, and a 29% or $1 million increase in interest expense due to higher interest rates charged on the outstanding senior credit facility.

[1] See "Definition of Non-IFRS Measures".

[2] Represents Adjusted Net Income (Loss). See "Definition of Non-IFRS Measures".

[3] Represents Adjusted Basic and Diluted Earnings per Share. See "Definition of Non-IFRS Measures".

RESULTS OF OPERATIONS

(in thousands of dollars except for per share amounts)	Three months ended March 31, 2014 *(unaudited)*	Three months ended December 31, 2013 *(unaudited)*	Three months ended March 31, 2013 *(unaudited)*
Revenue	$ 81,710	$ 77,829	$ 84,599
Expenses			
Salaries, fees and employee benefits	59,102	57,520	61,505
Other operating costs (other than interest)[1]	17,252	17,202	15,848
Other finance costs	338	292	151
Acquisition-related costs included in other operating costs	-	419	(205)
	76,692	75,433	77,299
Earnings before income taxes, interest and amortization (EBITDA)[1]	5,018	2,396	7,300
Interest	4,353	4,089	3,382
Change in fair value of financial instruments and other finance costs[1]	231	111	69
Income taxes – current	758	(1,045)	1,113
Income taxes – deferred	(835)	1,522	(344)
Amortization of property, equipment	573	1,071	677
Amortization of intangible assets	230	1,268	1,677
Foreign exchange (gain)/loss	(1,488)	(406)	(135)
Acquisition-related costs	-	(419)	205
Net income	$ 1,196	$ (3,795)[2]	$ 656
Non-controlling interest	267	(855)	151
Net income attributable to the owners	$ 929	$ (2,940)	$ 505
Basic and diluted net earnings per share	$ 0.05	$ (0.17)[3]	$ 0.03
Total assets	$ 247,464	$ 242,261	$ 476,373

i) Revenue

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

For the three months ended March 31, 2014 revenue was $81.7 million, up 5% compared to Q4 2013. In Q4 2013, revenue was impacted by a slowdown in the educational sector in the United States, less contribution from major healthcare projects that were nearing completion and the impact of discounted fees on the pursuit phase of major P3 projects. In Q1 2014, revenue continued to return to more normalized levels with strength generated in the United States and International markets.

Compared to the three months ended March 31, 2013, revenue was down $2.9 million or 3% in the current period. The Company has continued to maintain a steady stream of volume in projects fairly consistent with the comparative period last year. However in the second half of fiscal 2013, significant provisions were charged to income for work-in-progress ("WIP") deemed non recoverable, which included work carried out on projects in the first half of 2013. Since Q3 2013, the Company has been carrying out more comprehensive reviews of its WIP.

[1] See "Definition of Non-IFRS Measures".

[2] Represents Adjusted Net Income (Loss). See "Definition of Non-IFRS Measures".

[3] Represents Adjusted Basic and Diluted Earnings per Share. See "Definition of Non-IFRS Measures".

ii) Salaries, fees, and employee benefits

Salaries, fees, and employee benefits for the three months ended March 31, 2014 decreased $2.4 million or 4% to $59.1 million compared to $61.5 million for the same period last year (and a $1.6 million or 2.8% increase relative to the three month period ended December 31, 2013). The Company continues to evaluate where synergies exist within the organization to further reduce costs incurred.

iii) Other operating costs (other than interest)

Other operating costs (other than interest) for the three months ended March 31, 2014 were up $1.5 million or 9% at $17.3 million compared to $15.8 million for the three months ended March 31, 2013 (other operating costs were fairly consistent with Q4 2013). The increase was mainly attributable to additional costs incurred for external advisors totaling $1.1 million which are being used to assist with the overall refinancing efforts currently underway, combined with higher rent charges of $0.6 million for the new office. This was offset by changes in various miscellaneous items totaling $0.2 million.

iv) Interest expense

Total interest expense for the three months ended March 31, 2014 was up $1.0 million or 29% at $4.4 million compared to $3.4 million for the three months ended March 31, 2013 (up $0.3 million when compared to Q4 2013). Included in total interest expense for the current period is $0.6 million of non-cash imputed interest expense related to the accretion of the convertible debentures liability ($0.6 million for the three months ended December 31, 2013 and $0.5 million for the three months ended March 31, 2013). The majority of the increase in interest expense this period versus the comparative prior period is a result of higher interest rates charged on the Company's senior credit facility, followed by a slight increase in borrowing levels.

v) Amortization

Amortization for the three months ended March 31, 2014 was down $1.6 million to $0.8 million compared to $2.4 million for the three months ended March 31, 2013 (down $1.5 million compared to Q4 2013). The reduction in amortization charges this period was primarily from intangible assets such as client relationships, contracts, non-competition provisions, and development costs which were written down in fiscal 2013, thereby reducing the carrying value of these assets.

vi) Foreign exchange

Foreign exchange for the three months ended March 31, 2014 was a gain of $1.5 million compared to a gain of $0.1 million for the three months ended March 31, 2013 (foreign exchange gain was $0.4 million for Q4 2013) which is primarily a result of the weaker Canadian versus U.S. dollar throughout and to the end of the current period. The Company works to minimize its exposure to foreign exchange fluctuations by matching foreign denominated assets with foreign denominated liabilities.

vii) Income taxes

Income taxes for the three months ended March 31, 2014 was a recovery of $0.1 million, a change of $0.8 million compared to an expense of $0.7 million for the three months ended March 31, 2013 (income tax expense was $0.5 million for Q4 2013). Income tax expense was lower in the current period when compared to the same prior period last year and Q4 2103 due to tax losses available for carry forward to reduce current period income.

viii) Net income

Net income of the Company for the three months ended March 31, 2014 was $1.2 million, compared to $0.7 million for the three months ended March 31, 2013 (there was an adjusted net loss[2] of $3.8 million for Q4 2013). Net income attributable to owners of the Company for the three months ended March 31, 2014 was $0.9 million or basic and diluted EPS of $0.05 per share compared to $0.5 million or $0.03 per share for the three months ended March 31, 2013 (net income attributable to the owners was a net loss of $2.9 million or a net loss per share of $0.17 for Q4 2013).

ix) EBITDA[1]

EBITDA[1] of $5.0 million in the three months ended March 31, 2014 was down $2.3 million compared to $7.3 million for the three months ended March 31, 2013. The decline was the result of lower revenues in the current period, combined with higher rent charges of $0.6 million for the new office and higher professional fees of $1.1 million incurred for external advisors assisting with the Company's refinancing efforts.

EBITDA[1] was up $2.6 million compared to the three months ended December 31, 2013 which was due to the 5% or $3.9 million increase in revenue and a $0.4 million decrease in acquisition related costs which were non-recurring in the current period. This was partially offset by a $1.6 million increase in salaries, fees and employee benefits expense.

LIQUIDITY AND CAPITAL RESOURCES

i) Working Capital

The following table represents the working capital information:

(in thousands of dollars)	March 31, 2014 *(unaudited)*	December 31, 2013	Change
Current assets	$ 218,279	$ 216,809	$ 1,470
Current liabilities	(129,889)	(108,206)	(21,683)
Working capital	$ 88,390	$ 108,603	$ (20,213)

Current assets increased by $1.5 million as at March 31, 2014 when compared with December 31, 2013. This is primarily the result of an increase in WIP of $5.4 million due to higher volumes of work performed this period and an increase in prepaid and other current assets of $1.4 million due to software licensing fees paid upfront this period. This was partially offset by a decrease in cash and cash equivalents of $2.4 million and a decrease in accounts receivable of $2.8 million. While cash collections from receivables have improved, approximately $4.0 million in cash was used to pay for capital expenditures related to new offices, which will reduce future rental costs.

Current liabilities increased by $21.7 million as at March 31, 2014 when compared with December 31, 2013. This was primarily due to the $19.1 million reclassification of the senior credit facility to current liabilities as the borrowings available will be reduced to $70.0 million by September 30, 2014. In addition, there was an increase in deferred revenues of $4.7 million as a result of improved billing efforts implemented by the Company which was partially offset by a decrease in accounts payable and accrued liabilities of $3.0 million for 2013 amounts paid in the current period.

[1] See "Definition of Non-IFRS Measures"

[2] Represents Adjusted Net Income (Loss). See "Definition of Non-IFRS Measures".

ii) Working Capital Measured in Number of Days of Gross Billings

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

The table below calculates working days measured as days outstanding on gross billings, which over the last two years has been approximately 25% greater than net fee volume.

Working days of gross billings outstanding	March 31, 2013 *(unaudited)*	June 30, 2013 *(unaudited)*	September 30, 2013 *(unaudited)*	December 31, 2013 *(unaudited)*	March 31, 2014 *(unaudited)*
Accounts receivable	78	80	73	65	64
WIP	72	75	55	58	62
Deferred revenue	(7)	(8)	(8)	(9)	(12)
Total	143	147	120	114	114

The total decrease of 29 days compared to March 31, 2013 (total working days is consistent with the three months ended December 31, 2013) is a result of more comprehensive reviews that were carried out by management in the second half of fiscal 2013 to reserve for WIP deemed non recoverable and receivables deemed uncollectible. Since Q3 2013, the Company continues to carry out regular comprehensive reviews of its WIP and receivables. Total working days of gross billings outstanding for the current period is representative of more normalized conditions. The Company has ongoing programs to reduce days outstanding even further.

In addition, the Company has improved cash collection efforts, which is also contributing to the improved results noted in the table above. The table below demonstrates that the aging of receivables has improved whereby total balances outstanding over 90 days is 34% as at March 31, 2014 compared to 47% for the same period last year and 37% as at December 31, 2013.

Accounts receivable aging (net of allowance) *(in thousands of dollars)*	March 31, 2013 *(unaudited)*	%	June 30, 2013 *(unaudited)*	%	September 30, 2013 *(unaudited)*	%	December 31, 2013	%	March 31, 2014 *(unaudited)*	%
Current	36,851	26	39,989	26	37,953	31	34,283	33	40,730	40
30 to 90 days	37,327	27	36,430	27	33,384	28	31,353	30	26,814	26
Over 90 days	64,887	47	66,103	47	49,627	41	39,155	37	34,428	34
Total	139,065	100	142,522	100	120,964	100	104,791	100	101,972	100

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

(in thousands of dollars)	Three months ended March 31, 2014 *(unaudited)*	Three months ended December 31, 2013 *(unaudited)*	Three months ended March 31, 2013 *(unaudited)*
Cash flows from (used in) operating activities	1,929	15,034	(3,708)
Cash flows (used in) investing activities	(3,963)	(706)	(456)
Cash flows from (used in) financing activities	(95)	(10,882)	7,280

Cash flows from operations for the three months ended March 31, 2014 were $1.9 million compared to cash flows used in operations of $3.7 million for the three months ended March 31, 2013; a net increase of $5.6 million. This is primarily the result of higher net income, lower income taxes paid, an improvement in the timeliness of issuing billings, and improved collections on receivables. Cash flows from operations for the three months ended December 31, 2013 was $15.0 million which was primarily related to improved billings and collection efforts.

Cash flows used in investing activities for the three months ended March 31, 2014 were $4.0 million as compared to cash used in investing activities of $0.5 million for the three months ended March 31, 2013 ($0.7 million used in Q4 2013). This is due to capital expenditures incurred this period totaling approximately $4 million for the new offices.

Cash flows used in financing activities for the three months ended March 31, 2014 were $0.1 million compared with cash flows provided by financing activities of $7.3 million for the three months ended March 31, 2013. Cash saved from the suspension of the dividend totaled $2.3 million in the three months ended March 31, 2014, when compared to the same period in 2013. Furthermore, payments totaling $1.2 million were made in the same period last year towards the notes payable which were non-recurring this period. Lastly, the Company drew $10.8 million from the credit facility in the first quarter of the prior year which resulted in a large inflow of cash which was non-recurring this period.

Cash used for the three months ended December 31, 2013 was $10.9 million which related to payments made to reduce the credit facility by $7.6 million and settlement of notes payable for $3.3 million.

iii) Credit Facility and Bid Bond Guarantee Facility

The Company has senior credit availability of $100.0 million as at March 31, 2014. As of March 31, 2014, the Company had borrowings of $89.1 million under the credit facility compared with borrowings of $87.8 million under the credit facility as of December 31, 2013. According to the terms of the agreement, this credit facility is set to mature on July 29, 2016. The credit facility contains financial covenants including a funded debt to EBITDA[1] ratio, fixed-charge coverage ratio, and restrictions on distributions if certain conditions are not met.

Under the terms of the amended agreement, the availability under the credit facility will be reduced to $70.0 million by September 30, 2014. As of March 31, 2014 $19.1 million was reclassified to current liabilities for the amount required to be paid to reduce borrowings to $70.0 million. The amendment also requires performance of certain financial and non-financial covenants, an agreement by the Company to provide the lenders with an updated recapitalization plan by May 26, 2014, and the amendment and restatement of the credit facility by June 10, 2014.

The Company was in compliance with its credit facility covenants as at March 31, 2014 and December 31, 2013. Continued compliance with the covenants is dependent on the Company achieving revenue forecasts, profitability, reducing costs and the overall improvement of working capital and an appropriate recapitalization plan. 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

[1] See "Definition of Non-IFRS Measures"

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, subject to lender approval, as may become necessary from time to time.

As at March 31, 2014, the total balance of unamortized transaction costs was $2.2 million, compared with $2.4 million at December 31, 2013, which have been recorded net of the long-term portion on the credit facility. Net of capitalized transactions costs, the total carrying value of the credit facility was $86.8 million as at March 31, 2014 and $85.5 million as at December 31, 2013.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 million continues to be made available to meet certain project requirements calling for the issuance of bid bonds to international customers. As at March 31, 2014, the Company had issued bid bonds in the amount of $2.9 million under the Bid Bond Facility, compared to $4.2 million as at December 31, 2013.

Guarantees from certain subsidiaries of the Company as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of The Company and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of The Company under the credit facility and the Bid Bond Facility. The indebtedness secured by these security interests will rank senior to all other security over the assets of the Company and the guarantors, subject to certain permitted encumbrances.

iv) Convertible Debentures

The Company has a convertible debenture with a face value of $46.0 million maturing December 31, 2014.

See "Recapitalization Plan" below for further discussion related to the refinancing efforts currently underway by the Company.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into long-term contractual obligations from time to time. The table below summarizes the contractual obligations due on credit facilities, convertible debentures, operating lease commitments, notes payable, and amounts due to related parties as of March 31, 2014:

Contractual Obligations	Payment Due by Period				
(in millions of dollars) (unaudited)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Credit facility	$ 89.1	$ 19.1	$ 70.0	$ -	$ -
Interest on credit facility	11.7	5.4	6.3	-	-
Convertible debentures	123.5	46.0	-	77.5	-
Interest on convertible debentures	22.0	7.0	9.2	5.8	-
Operating leases	157.3	23.4	37.1	27.5	69.3
Notes payable	5.6	5.6	-	-	-
Due to related party	10.0	-	10.0	-	-
Total Contractual Obligations	$ 419.2	$ 106.5	$ 132.6	$ 110.8	$ 69.3

For further information regarding the nature and repayment terms of the credit facility and convertible debentures, refer to Note 4 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ended March 31, 2014.

CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a capital base that will 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, convertible debentures, and equity.

The Company's financing strategy is to access 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.

See "Recapitalization Plan" below for further discussion related to the refinancing efforts currently underway by the Company.

RECAPITALIZATION PLAN

The Company has submitted a Recapitalization Plan to its lending syndicate. The plan addresses the requirement to reduce borrowing under the senior credit facility. This plan includes operational improvements and enhanced billing and collection efforts to increase operating cash flow, one of or a combination of the divesture of non-strategic assets and subordinated debt financing. The Company has been working with its lenders and has ongoing plans in place to meet these requirements.

In addition, a proposal was issued by the Company on May 7, 2014 to the holders of the 7.0% debentures ("Debentureholders") which have a face value of $46.0 million and mature on December 31, 2014. This proposal asks these holders to extend the maturity date to June 30, 2019.

The proposal offers a consent fee, consisting of an unsecured, non-convertible promissory bond equal to $70.00 per $1 thousand principal amount of debentures. This bond will be payable December 31, 2016 and bearing interest at the rate of 7.0% per annum. All amounts related to the bond will be payable on maturity. The fee is only being offered to Debentureholders who vote in favour of the proposal by May 26, 2014, subject to approval of the proposal.

A decision is expected to be finalized by the end of May 2014.

OUTLOOK

The following represents forward looking information and users are cautioned that actual results may vary.

Management is forecasting approximately $330.0 million total revenue for the year ended December 31, 2014 of which approximately 86% is committed and under contract. The Company continues to see an increase in committed work to be delivered in 2014, which now stands at approximately $285.0 million. The Company has approximately eight and a half months of backlog (this is calculated on the basis of the current pace of work that the Company has achieved during the last 12 months ended March 31, 2014).

After adjusting for on-going costs of financial advisors, which are expected to be $3.0 million in 2014, the Company is forecasting the 2014 EBITDA[1] margin to approach a level more consistent with industry standards. The strategic review undertaken last year has resulted in right-sizing the Company and has led to a material reduction in overhead costs, the effects of which will be seen throughout 2014.

Management intends to focus on diligently competing for accretive new business opportunities in each of the key markets the Company operates in and will continue to prioritize organic growth over acquisitions.

[1] See "Definition of Non-IFRS Measures".

This guidance should be read in conjunction with the “Forward Looking Statements and Risk Factors” below and is subject to the risks and uncertainties summarized in that section, which are more fully described in the Company’s public disclosure documents.

SUMMARY OF QUARTERLY RESULTS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto.

(in thousands of dollars except for per unit and per share amounts and ratios) (unaudited)	1st Qtr 2014	4th Qtr 2013	3rd Qtr 2013	2nd Qtr 2013	1st Qtr 2013	4th Qtr 2012	3rd Qtr 2012	2nd Qtr 2012
Revenue	$ 81,710	$ 77,829	$ 38,792	$ 86,745	$ 84,599	$ 75,464	$ 86,809	$ 88,558
Adjustment Items	-	-	35,003	-	-	12,600	-	-
Adjusted revenue[1]	$ 81,710	$ 77,829	$ 73,795	$ 86,745	$ 84,599	$ 88,064	$ 86,809	$ 88,558
Net earnings	1,196	(100,908)	(47,177)	(76,039)	656	(26,528)	2,704	5,680
Changes in fair value and other finance costs	231	111	78	(227)	69	(236)	17	41
Interest expense, net	4,353	4,089	3,780	3,477	3,382	3,328	3,337	3,310
Income tax expense (recovery)	(77)	(3,310)	(8,730)	(1,720)	769	(3,082)	34	602
Amortization of property, equipment and intangible assets	803	2,339	2,703	1,780	2,354	5,896	2,519	2,505
Acquisition-related costs	-	(419)	(440)	558	205	406	434	32
Foreign exchange loss (gain)	(1,488)	(406)	225	(173)	(135)	221	357	(142)
Impairment of goodwill and intangible assets	-	100,900	-	79,601	-	14,483	-	-
Adjustment Items	-	-	47,858	-	-	16,000	-	-
Adjusted earnings before income taxes, interest and amortization (Adjusted EBITDA[1])	5,018	2,396	(1,703)	7,257	7,300	10,488	9,402	12,028
Adjusted EBITDA[1] as a percentage of revenue	6.1%	3.1%	(2.3)%	8.4%	8.6%	11.9%	10.8%	13.6%
Basic adjusted net earnings (loss) per share[2]	0.05	(0.17)	(0.34)	0.11	0.03	0.01	0.13	0.28
Personnel – average	2,533	2,628	2,752	2,805	2,833	2,873	2,944	2,925
Personnel – quarter end	2,502	2,581	2,674	2,823	2,814	2,852	2,926	2,950

SHARE CAPITAL

As at March 31, 2014, the Company’s common share capital consisted of 17,552,689 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 March 31, 2014, the shares issued on such exchange would have represented a 22.3% 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 March 31, 2014.

[1] See “Definition of Non-IFRS Measures”.

[2] Represents Adjusted Basic and Diluted Earnings per Share. See “Definition of Non-IFRS Measures”.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, IBI Income Fund, IBI Group, and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation (management compensation) for the services of the 113 partners of the Management Partnership. This amount was $6.6 million for the three months ended March 31, 2014 (three months ended March 31, 2013 - $6.9 million).

During the first quarter of 2010, the Management Partnership advanced $26.0 million to the Company. The loan bears interest at the same rate as the operating line of credit that the Company 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. As at March 31, 2014, the remaining amount payable was $10.0 million (December 31, 2013 - $10.0 million). Interest expense on this advance was $0.1 million for the three months ended March 31, 2014 (three months ended March 31, 2013 - $0.1 million). The loan matures April 1, 2015.

ACCOUNTING DEVELOPMENTS

Changes in Accounting Policies

In December 2011 the IASB published Offsetting Financial Assets and Financial Liabilities. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The adoption of the amendments did not have a material impact on the financial statements.

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendments did not have a material impact on the financial statements.

Future Accounting Policy Changes

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized; however, in its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after January 1, 2018.

Early adoption of the new standard is permitted. Canadian reporting entities cannot early adopt IFRS 9(2013) until it has been approved by the Canadian Accounting Standards Board. The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) or IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2015. The Company is currently assessing the impact of future adoption of this new standard.

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Company's quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The CEO and CFO of the Company, together with management of the Company have evaluated the design of the Company's DC&P and ICFR. The CEO and CFO of the Company, together with management, are collectively satisfied that the Company's DC&P and ICFR were appropriately designed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on the Company's experience combined with management's understanding of current facts and circumstances. These estimates may differ from actual results, and certain estimates are considered critical, as they are both important to reflect the Company's financial position and results of operations, and require significant or complex judgement on the part of management using accounting policies derived therein consistent with the Company's audited December 31, 2013 consolidated financial statements.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group (collectively, the “Company”), or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company’s ability to maintain profitability and manage its growth; (ii) the Company’s reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Company; (viii) risk of future legal proceedings against the Company; (ix) the international operations of the Company; (x) reduction in the Company’s backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) upfront risk of time invested in participating in consortia bidding on large projects; (xv) limits under the Company’s insurance policies; (xvi) the Company’s reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company’s subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company’s performance; (xx) the possibility that the Company may issue additional Common Shares diluting existing Shareholders’ interests; (xxi) income tax matters; (xxii) approval of the recapitalization plan by the Company’s lending syndicate and achieving the specified requirements per the amended agreement; and (xxiii) refinancing the convertible debentures which mature December 31, 2014. These risk factors are discussed in detail under the heading “Risk Factors” in the Company’s annual information form for the year ended December 31, 2013. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

DEFINITION OF NON-IFRS MEASURES

References in this MD&A to EBITDA[1] are to earnings before interest, income taxes, depreciation and amortization, acquisition-related costs, foreign exchange gains and losses, dividends treated as an expense, fair value adjustment on financial liabilities and restructuring and special charges. Management of the Company believes that in addition to net income (loss), EBITDA[1] is a useful supplemental measure as it provides readers with an indication of cash available for dividends prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA[1] should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flows. EBITDA[1] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating EBITDA[1] may differ from the methods used by other similar entities. Accordingly, EBITDA[1] may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to EBITDA[1] have been provided under the headings "Results of Operations" and "Summary of Quarterly Results".

Adjusted EBITDA[1] is defined as EBITDA[1] plus or minus any Adjustment Items.

Adjustment items are defined as the impact of any adjustments to unbilled WIP deemed non recoverable and/or uncollectible accounts receivable.

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

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

Adjusted revenue is equal to revenue plus or minus the impact of any adjustments to unbilled WIP deemed non recoverable.

Adjusted net income (loss) is equal to the net income (loss) for the period plus the after tax impact of any impairments to goodwill and intangible assets as well as any adjustments to unbilled WIP and uncollectible accounts receivable.

Adjusted basic and diluted net earnings per share is equal to the adjusted net income (loss) attributable to the owners for the period divided by the weighted average number of common shares outstanding during the period.

[1] See "Definition of Non-IFRS Measures"