

IBI Group Inc.

Management discussion and analysis

For the three and twelve months ended December 31, 2014

The following Management Discussion and Analysis (“MD&A”) of operating results and financial position of IBI Group Inc. and its subsidiaries (the “Company”) for the three and twelve months ended December 31, 2014 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2014, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2014 is or will be available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for financial statements and are 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.

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 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) fixed-price contracts; (vi) the general state of the economy; (vii) integration of 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 and projects being contracted through private finance initiatives; (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 their performance; (xvii) unpredictability and volatility in the price of Shares; (xviii) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company’s credit facilities; (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 which is required by March 31, 2015 and achieving the specified requirements per the amended agreement. 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, 2014. 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.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward looking information as necessary.

Company profile

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

IBI Group has one operating segment, consulting services, which 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.

Outlook

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

Management is forecasting approximately \$308 million in total revenue for the year ended December 31, 2015 of which 80% is committed and under contract. The Company currently has \$331 million of work that is committed and under contract for the next three years, of which \$264 million is committed for 2015. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in 2015. The Company has approximately ten 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 December 31, 2014).

The Company bases its view of industry standards on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc ("EFCG") who focuses on architecture and engineering industries.
2. The reported performance of the Company's direct competitors.
3. The reports published by market analysts covering firms in the Company's business sectors.

Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts are underway to improve the monitoring of financial results, identify synergies and implement cost management initiatives, strengthen the billings and collections process, and other long-term debt commitments, and divest operations that are not in line with the Company's growth strategies. The Company continues to seek out opportunities to enhance profitability.

Financial highlights

(in thousands of dollars except for per share amounts)

	Three months ended December 31, 2014 (unaudited)	Three months ended December 31, 2013 (unaudited) (restated ²)	Year ended December 31, 2014	Year ended December 31, 2013 (restated ²)
Number of working days	63	63	251	251
Revenue	\$ 75,030	\$ 72,109	\$ 298,274	\$ 257,386
Net income (loss) from continuing operations	\$ (4,125)	\$ (92,196)	\$ 5,919	\$ (209,898)
Net income loss from discontinued operations	\$ (2,849)	\$ (8,712)	\$ (9,079)	\$ (13,570)
Net loss	\$ (6,974)	\$ (100,908)	\$ (3,160)	\$ (223,468)
Basic and diluted earnings (loss) per share	\$ (0.30)	\$ (4.46)	\$ (0.14)	\$ (10.05)
Basic earnings (loss) per share from continuing operations	\$ (0.18)	\$ (4.07)	\$ 0.26	\$ (9.44)
Diluted earnings (loss) per share from continuing operations	\$ (0.14)	\$ (4.07)	\$ 0.20	\$ (9.44)
Adjusted EBITDA ¹	\$ 4,098	\$ 3,964	\$ 23,750	\$ 20,664
Adjusted EBITDA ¹ as a percentage of revenue	5.5%	5.5%	8.0%	8.0%

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

2 - Restatement due to divestment of Quebec operations and 49% equity interest in China. See "Audited Consolidated Financial Statements – Note 18"

Overview

During the year ended December 31, 2014, the following significant events occurred:

1. Effective July 23, 2014, the Company extended the maturity date of \$46 million 7% convertible debentures from December 31, 2014 to June 30, 2019, in which consent fee notes payable were issued to the Debenture holders.
2. Effective October 2, 2014, the Company concluded two divestment transactions which were used to reduce debt.
3. Effective October 6, 2014, the Company signed a new banking agreement with its senior lenders which provides sufficient liquidity for the Company to execute its business plan. This agreement matures on March 31, 2016.
4. As at December 31, 2013, the Company had notes payable due to the former owners of acquired businesses of \$5.4 million of which \$0.8 million was paid during the year. The Company renegotiated the terms of the remaining balance of these notes payable in January 2015 to amend repayment terms with a maturity of June 30, 2016.

The two divestment transactions included the divestiture of certain assets and liabilities of IBI/DAA Group Inc., CHB-IBI Group Inc., and Martin, Marcotte-Beinhaker Inc. ("Quebec") and sale of 49% equity interest

in IBI China Holdings Limited (“China”) for proceeds of approximately \$11.4 million subject to final closing balance sheet adjustments.

As a result of the divestment activities of the Quebec and China businesses, the results of operations for the year ended December 31, 2014 have been presented as discontinued operations. The results of operations for the year ended December 31, 2013 have also been restated as such.

Discontinued Operations

For the three months ended December 31, 2014, revenue from discontinued operations was \$nil compared to \$5.7 million for the same period ending in 2013. Expenses from discontinued operations for the three months ended December 31, 2014 were \$2.9 million compared to \$14.4 million for the same period in 2013. As a result, net loss from discontinued operations for the three months ended December 31, 2014 was \$2.9 million compared to a loss of \$8.7 million for the same period in 2013.

For the year ended December 31, 2014, revenue from discontinued operations was \$23.5 million compared to \$30.6 million for the same period in 2013. Expenses from discontinued operations for the year ended December 31, 2014 was \$32.6 million compared to \$44.2 million for the same period in 2013. As a result, net loss from discontinued operations for the year ended December 31, 2014 was \$9.1 million compared to a loss of \$13.6 million for the same period in 2013.

Statement of Comprehensive Income (Loss)

Revenue for the three months ended December 31, 2014 was \$75.0 million, compared with \$72.1 million in the same period in 2013. The increase is consistent with the Company's forecasted increase in organic growth of 4% compared to the same quarter in 2013.

Net loss from continuing operations for the three months ended December 31, 2014 was \$4.1 million, compared with net loss in the same period in 2013 of \$92.2 million. The net loss from continuing operations for the three months ended December 31, 2013 was attributable to the write-off of deferred financing charges of \$2.5 million, as well as the accretion of convertible debentures and consent fee notes payable of \$1.7 million, while the net loss from continuing operations for the same period in 2013 was primarily attributable to the write-off of goodwill and intangibles of \$94.7 million.

Revenue for the year ended December 31, 2014 was \$298.3 million, compared with \$257.4 million for the same period in 2013. The Company's forecasted increase in organic growth for the year was 4%, which was offset by higher than expected reserves of \$4.0 million for the year. See below for additional explanation.

Net income from continuing operations for the year ended December 31, 2014 was \$5.9 million compared to a loss from continuing operations of \$209.9 million. The decrease is primarily attributable to write-offs in 2013 related to goodwill of \$174.3 million, work-in-process of \$35.0 million, and accounts receivable of \$12.9 million, offset in 2014 by a gain on the extinguishment of 7% debentures of \$18.7 million.

In Q3 2013, with the introduction of the new senior leadership, management reviewed the ultimate collectability of work in process ("WIP") and concluded that a year to date write-down of \$35.0 million was required which was recorded against revenue. These write-downs were the result of:

1. Management focusing on their new strategic direction
2. Weaker economic factors in certain geographic areas
3. Management stopped pursuing small dollar outstanding balances
4. Accounts were in mediation or arbitration and recoveries expected were reduced

Continued progress has been made over the past twelve months in restructuring and managing the operations by geographical regions. These changes have facilitated the Company's ability to improve business processes, identify synergies, implement cost management initiatives, evaluate return on assets and achieve growth in sales.

Results of operations

The results of operations presented below should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	Three months ended		Year ended	
	December 31, 2014 (unaudited)	December 31, 2013 (unaudited)	December 31, 2014	December 31, 2013 (restated ²)
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Revenue	\$ 75,030	\$ 72,109	\$ 298,274	\$ 257,386
Salaries, fees and employee benefits	53,900	51,567	212,180	214,158
Rent	5,160	5,484	28,848	20,058
Other operating expenses	10,037	7,608	38,837	38,494
Foreign exchange gain	(783)	(420)	(2,089)	(418)
Amortization of intangible assets	189	1,176	819	5,397
Amortization of property and equipment	1,027	659	2,669	1,937
Impairment of property and equipment	-	-	3,248	-
Impairment of goodwill and intangible assets	-	94,896	-	174,297
Impairment of financial assets	834	2,798	2,812	13,545
Operating Income (Loss)	\$ 4,666	\$ (91,706)	\$ 12,950	\$ (208,080)
Interest expense, net	5,197	3,998	18,693	14,222
Other finance (income) costs	3,099	225	(14,585)	631
Finance Costs (Income)	\$ 8,296	\$ 4,221	\$ 4,108	\$ 14,853
Share of loss of equity-accounted investee, net of tax	81	-	81	-
Net Income (Loss) before taxes	\$ (3,711)	\$ (95,927)	\$ 8,761	\$ (222,933)
Current tax expense (recovery)	(343)	(1,086)	1,540	(111)
Deferred tax expense (recovery)	757	(2,645)	1,302	(12,924)
Income Taxes	\$ 414	\$ (3,731)	\$ 2,842	\$ (13,035)
Net income (loss) from continuing operations	\$ (4,125)	\$ (92,196)	\$ 5,919	\$ (208,898)
Net loss from discontinued operations	(2,849)	(8,712)	(9,079)	(13,570)
Net Loss	\$ (6,974)	\$ (100,908)	\$ (3,160)	\$ (223,468)
Other Comprehensive Income (Loss)				
Items that are or may be reclassified to profit or loss				
Income (loss) on translating financial statements of foreign operations from continuing operations, net of tax	\$ 57	\$ 357	\$ (366)	\$ 2,156
Other Comprehensive Income (Loss), Net of Tax	57	357	(366)	2,156
Total Comprehensive Loss	\$ (6,917)	\$ (100,551)	\$ (3,526)	\$ (221,312)
Net Loss Attributable to:				
Common shareholders	\$ (5,423)	\$ (78,363)	\$ (2,548)	\$ (172,819)
Non-controlling interests	(1,551)	(22,545)	(702)	(50,649)
Net Loss	\$ (6,974)	\$ (100,908)	\$ (3,160)	\$ (223,468)
Total Comprehensive Loss Attributable to:				
Common shareholders	\$ (5,378)	\$ (78,086)	\$ (2,742)	\$ (171,151)
Non-controlling interests	(1,539)	(22,465)	(784)	(50,161)
Total Comprehensive Loss	\$ (6,917)	\$ (100,551)	\$ (3,526)	\$ (221,312)
Earnings (Loss) per Share				
Basic and diluted loss per share	\$ (0.30)	\$ (4.46)	\$ (0.14)	\$ (10.05)
Basic earnings (loss) per share from continuing operations	\$ (0.18)	\$ (4.07)	\$ 0.26	\$ (9.44)
Diluted earnings (loss) per share from continuing operations	\$ (0.14)	\$ (4.07)	\$ 0.20	\$ (9.44)

² Restatement due to divestment of Quebec operations and 49% equity interest in China. See Note 18 – Discontinued Operations, in the Audited Consolidated Financial Statements.

*Description of Variances in Operating Results
(in millions of dollars)*

i) Revenue from continuing operations

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

Revenue from continuing operations for the three months ended December 31, 2014 was \$75.0 million, compared with \$72.1 million in the same period in 2013. The increase is primarily attributable to the Company's forecasted increase in organic growth of 4% compared to the same quarter in 2013.

Revenue from continuing operations for the year ended December 31, 2014 was \$298.3 million, compared with \$257.4 million for the same period in 2013. The 15.9% increase in revenue for the year is attributable to the forecasted increase in organic growth of 4%, depreciation in the Canadian dollar against both the U.S dollar and British pound resulting in an additional \$8.7 million in additional revenue, as well as the decrease in the WIP write-off of \$31.7 million over 2013. This increase in revenue was offset by higher than expected reserves of \$4.0 million for the year.

ii) Salaries, fees, and employee benefits from continuing operations

Salaries, fees, and employee benefits from continuing operations for the three months ended December 31, 2014 was \$53.9 million compared with \$51.6 million in the same period in 2013.

Salaries, fees and employee benefits from continuing operations for the year ended December 31, 2014 was \$212.2 million, compared with \$214.2 million for the same period in 2013.

This is a result of reductions in headcount as well as lower compensation. The impact of the reduction of headcount has been tempered in 2014 by depreciation in the Canadian dollar against both the U.S dollar and British pound resulting in an additional \$4.5 million in salaries and employee benefits expense as a result of foreign exchange for the three months ended December 31, 2014.

The Company continues to evaluate where synergies exist within the organization to further reduce these costs.

iii) Rent from continuing operations

Rent from continuing operations for the three months ended December 31, 2014 was \$6.0 million compared to \$5.5 million in the same period in 2013. This increase is attributable to an additional \$0.7 million of rent paid during the transition to the new Toronto office.

Rent from continuing operations for the year ended December 31, 2014 was \$26.9 million, compared with \$20.1 million for the same period in 2013. The increase is primarily attributed to a \$4.7 million charge taken on an onerous lease in Quebec as described below. Although the Quebec operations have been divested, the Company maintains principal responsibility for the lease and it is management's best estimate at this time that the carrying value of the leasehold improvements will not be fully recoverable from the sub-lease tenants. In addition, the Company paid additional rent of \$0.7 million during the transition to the new Toronto office as described above.

iv) Other operating expenses from continuing operations

Other operating expenses from continuing operations for the three months ended December 31, 2014 was \$10.0 million compared to \$7.6 million in the same period in 2013. As a percentage of revenues, operating expenses for the three months ended December 31, 2014 were 13.3% compared to 10.6% for the same period in 2013.

Other operating expenses from continuing operations for the year ended December 31, 2014 was \$38.8 million, compared with \$36.5 million for the same period in 2013. As a percentage of revenues, operating expenses for the three months ended December 31, 2014 were 13.0% compared to 14.2% for the same period in 2013.

A reduction in overhead expenses as a percentage of revenues has been a continued area of focus for the Company as we look to improve overall efficiency.

During the year, the Company paid \$3.9 million to professional advisors to assist in the restructuring of the balance sheet.

v) Foreign Exchange loss (gain) from continuing operations

Foreign exchange gain from continuing operations for the three months ended December 31, 2014 was \$0.8 million compared to \$0.4 million in the same period in 2013. The gain is attributed to exchange rate movements between the Canadian dollar and the US dollar and British pound.

Foreign exchange gain from continuing operations for the year ended December 31, 2014 was a gain of \$2.1 million compared with a gain of \$0.4 million for the same period in 2013. The gain is attributed to exchange rate movements between the Canadian dollar and the US dollar and British pound.

vi) Amortization of intangible assets from continuing operations

Amortization of intangible assets from continuing operations for the three months ended December 31, 2014 was \$0.2 million compared to \$1.2 million in the same period in 2013. The decrease is as a result of the write-off of other intangible assets during the three months ended December 31, 2013.

Amortization of intangible assets from continuing operations for the year ended December 31, 2014 was \$0.8 million compared with \$5.4 million for the same period in 2013. The decrease is as a result of the write-off of other intangible assets during the three months ended December 31, 2013.

vii) Amortization of property and equipment from continuing operations

Amortization of property and equipment from continuing operations for the three months ended December 31, 2014 was \$1.0 million compared to \$0.7 million during the three months ended December 31, 2013.

Amortization of property and equipment from continuing operations for the year ended December 31, 2014 was \$2.7 million compared with \$1.9 million for the same period in 2013. The increase is primarily attributable to significantly more capital expenditures during the year related to the office moves.

viii) Impairment of property and equipment from continuing operations

Impairment of property and equipment from continuing operations for the three months ended December 31, 2014 was \$nil compared to \$nil in the same period in 2013.

Impairment of property and equipment from continuing operations for the year ended December 31, 2014 was \$3.2 million compared to \$nil in the same period in 2013. The increase is a result of a \$3.2 million write-off related to leasehold improvements in Quebec.

Although the Quebec operations have been divested, the Company maintains principal responsibility for the lease and it is management's best estimate at this time that the carrying value of these leasehold improvements will not be fully recoverable from sub-lease tenants.

ix) Impairment of Financial Assets from continuing operations

Impairment of financial assets from continuing operations for the three months ended December 31, 2014 was \$0.8 million compared to \$2.8 million in the same period in 2013. The decrease is primarily attributable to increased write-offs of accounts receivable and work-in-process, as described in the Overview section of this MD&A.

Impairment of financial assets from continuing operations for the year ended December 31, 2014 was \$2.8 million compared with \$13.5 million for the same period in 2013. The decrease is primarily attributable to increased write-offs of accounts receivable and work-in-process, as described in the Overview section of this MD&A.

x) Interest expense from continuing operations

Interest expense from continuing operations for the three months ended December 31, 2014 was \$5.2 million compared to \$4.0 million in the same period in 2013. The increase is primarily attributable to an increase of \$0.8 million in interest paid on the credit facilities as described below.

Interest expense from continuing operations for the year ended December 31, 2014 was \$18.7 million compared with \$14.2 million for the same period in 2013. An increase of \$2.7 million in interest paid is the result of higher rates paid to the Company's senior lenders. It is anticipated that these interest charges will decrease as the Company generates cash and repays its bank borrowings. In addition, interest expense on the 7% debentures increased due to increased accretion of \$1.6 million.

The amendment and extension of the 7% convertible debentures will give rise to significantly higher interest expense during the period from July 23, 2014 to June 30, 2019 as an effective interest rate of 26.5% was used in determining the fair value on the date of the amendment. The Company has recorded the gain on extinguishment of debt in Q3 2014, but this will be offset by the higher accretion each quarter until maturity. The impact of this increased accretion has been \$1.4 million increase in non-cash interest expense since July 23, 2014 to December 31, 2014.

xii) Other finance costs (income) from continuing operations

Other finance costs (income) from continuing operations for the three months ended December 31, 2014 was costs of \$3.1 million compared to costs of \$0.2 million in the same period in 2013. This increase is primarily attributable to the \$2.5 million write-off of deferred financing charges during the three months ended December 31, 2014.

Other finance costs (income) from continuing operations for the year ended December 31, 2014 was an income of \$14.6 million compared with costs of \$0.6 million for same period in 2013. This change was primarily due to the net gain on extinguishment of the 7% convertible debentures of \$18.7 million, offset by the increase in write off of deferred financing costs of \$2.5 million.

xiii) Income taxes from continuing operations

Income taxes from continuing operations for the three months ended December 31, 2014 was an expense of \$0.4 million with the effective income tax rate at (11)% compared to a recovery of \$3.7 million with income tax rate of 3.90% in the same period in 2013. The tax expense in the quarter was principally the result of US losses which were not tax effected and income generated in other jurisdictions.

Income taxes from continuing operations for the year ended December 31, 2014 was an expense of \$2.8 million with an effective tax rate of 32 % compared with a recovery of \$13.0 million with an effective tax rate of 5.49% for the same period in 2013.

The increase in the effective tax rate for both comparative periods was primarily due to an increase in non-deductible amounts and tax rates in foreign jurisdictions. The increase is a result of the deferred tax charges related to the gain on amendment of 7% convertible debentures, and the onerous lease provision, as well as leasehold improvements write-downs as outlined above.

xiii) Net income from continuing operations

Three months ended December 31, 2014

Net loss from continuing operations for the three months ended December 31, 2014 increased to \$4.1 million from a loss of \$92.2 million from the same period in 2013. The factors impacting net loss are set out in the description of individual line item accounts above.

Specific pre-tax items that have impacted net loss for both 2014 and 2013 from continuing operations in the fourth quarter are as follows:

	2014	2013
Work-in-process write-down	465	(4,000)
Accounts Receivable write-down	(834)	(1,600)
Impairment of goodwill	-	(94,696)
Accretion of convertible debentures and consent fee notes payable	(1,663)	-
Deferred financing charges	(2,474)	-
Total	(4,506)	(100,298)

Net loss from continuing operations attributable to common shareholders for the three months ended December 31, 2014 was \$5.4 million or basic and diluted loss per share from continuing operations of \$0.18 per share compared to a loss of \$78.4 million or \$4.07 loss per share for the same period in 2013. Basic and diluted loss per share for the combined continuing and discontinued operations for three months ended December 31, 2014 is \$0.30 compared to a loss per share of \$4.46 for the same period in 2013.

Year ended December 31, 2014

Net income from continuing operations for the year ended December 31, 2014 was \$5.9 million compared to a loss of \$209.9 million for the same period in 2013. The factors impacting net income are set out in the description of individual line item accounts above.

Specific items that have impacted net income from continuing operations in this period are as follows:

	2014	2013
Gain on extinguishment of 7% convertible debentures	18,700	-
Impairment charge on leasehold improvements	(3,248)	-
Provision on onerous lease	(4,738)	-
Impairment of Goodwill	-	(174,297)
Work-in-process write-down	(3,290)	(28,300)
Accounts Receivable write-down	(2,812)	(12,100)
Accretion of convertible debentures and consent fee notes payable	(2,977)	-
Deferred financing charges	(2,474)	-
Total	(839)	(214,697)

Net loss attributable to common shareholders for the year ended December 31, 2014 was \$2.5 million or basic EPS from continuing operations of \$0.26 per share and diluted EPS of \$0.24 per share compared to a loss of \$172.8 million or \$9.44 loss per share for the same period in 2013. Basic and diluted loss per share for the combined continuing and discontinued operations is \$0.14 per share compared to a loss of \$10.05 per share for the same period in 2013.

xiv) Adjusted EBITDA¹ from continuing operations

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹. The following summary of quarterly results outlines all the items which comprise the difference between net income from continuing operations in each of the following quarters.

¹ See "Definition of Non-IFRS Measures".

Selected annual information

The selected information presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
<i>(thousands of Canadian dollars, except per share amounts)</i>			
Revenue	\$ 298,274	(restated) \$ 257,386	\$ 296,351
Net income (loss) from continuing operations	\$ 5,919	\$ (209,898)	\$ (21,297)
Net loss from discontinued operations	\$ (9,079)	\$ (13,570)	\$ 5,263
Net loss	\$ (3,160)	\$ (223,468)	\$ (16,034)
Basic and diluted loss per share	\$ (0.14)	\$ (10.05)	\$ (0.70)
Basic earnings (loss) per share from continuing operations	\$ 0.26	\$ (9.44)	\$ (0.33)
Diluted earnings (loss) per share from continuing operations	\$ 0.20	\$ (9.44)	\$ (0.33)

	December 31, 2014	December 31, 2013	December 31, 2012
<i>(thousands of Canadian dollars)</i>			
Total assets	\$252,063	\$ 242,261	\$ 467,043
Onerous lease provisions	\$ 4,051	\$ -	\$ -
Due to related parties	-	10,000	10,000
Consent fee notes payable	2,631	-	2,697
Finance lease obligation	235	-	-
Credit facilities	63,423	85,479	72,903
Convertible debentures	98,437	71,929	114,613
Deferred tax liabilities	8,690	2,016	6,171
Total long-term liabilities	\$ 177,467	\$ 169,424	\$ 206,384

Net income from continuing operations

In 2013, the Company's net income from continuing operations was significantly impacted by the write-off of accounts receivable and WIP, as well as impairment of goodwill and intangibles, as discussed in the Results of Operations section of this MD&A.

Adjusted EBITDA¹ from continuing operations for the previous eight quarters

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, prepared in accordance with IFRS.

<i>in thousands of dollars except for per share amounts</i>	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenue	75,030	73,605	76,182	73,456	72,109	34,602	76,605	74,071
Net Earnings (Loss)	(6,974)	1,688	930	1,196	(100,908)	(47,177)	(76,039)	656
Net Earnings (Loss) from continuing operations	(4,125)	6,996	1,829	1,219	(92,196)	(40,347)	(76,367)	(987)
Add:								
Interest expense, net	5,197	4,971	4,264	4,262	3,996	3,552	3,384	3,290
Current and deferred tax expense (recovery)	414	2,348	183	(103)	(3,731)	(8,343)	(1,723)	762
Amortization	824	792	1,069	803	1,927	2,194	1,453	2,128
	6,435	8,111	5,516	4,962	2,192	(2,597)	3,114	6,180
EBITDA	2,310	15,107	7,345	6,181	(90,004)	(42,944)	(73,253)	5,193
EBITDA %	3.1%	20.5%	9.6%	8.4%	-124.8%	-61.7%	-95.6%	7.0%
Items excluded in calculation of Adjusted EBITDA ¹								
Foreign exchange (gain)/loss	(783)	(606)	721	(1,421)	(420)	262	(180)	(80)
Fair value and loss on redemption of DSP	(111)	212	355	231	111	78	(227)	69
Deferred financing charges	3,073	259	471	-	-	-	-	-
Restructuring costs	-	1,101	-	-	-	-	-	-
Gain on extinguishment of 7.0% convertible debentures	-	(22,028)	-	-	-	-	-	-
Loss on consent fee notes	-	2,437	-	-	-	-	-	-
Deferred costs expense on extinguishment of 7.0% convertible debentures	-	890	-	-	-	-	-	-
Impairment of PP&E	-	3,248	-	-	-	-	-	-
Impairment of Goodwill & Intangibles	-	-	-	-	94,696	-	79,601	-
Onerous lease provision	(391)	5,129	-	-	-	-	-	-
Acquisition-related costs	-	-	-	-	(419)	(440)	558	205
Adjustment items	-	-	-	-	-	47,858	-	-
	1,788	(9,358)	1,547	(1,190)	93,968	47,758	79,752	194
ADJUSTED EBITDA¹	4,098	5,749	8,892	4,991	3,964	4,814	6,499	5,387
ADJUSTED EBITDA %	5.5%	7.8%	11.7%	6.8%	5.5%	6.9%	8.5%	7.3%
Earnings per share attributed to common shareholders	(0.30)	0.07	0.04	0.05	(4.47)	0.17	(3.42)	0.03
Earnings per share attributed to common shareholders from continuing operations	(0.14)	0.39	0.04	0.05	(0.17)	(0.34)	0.11	0.03
weighted average share outstanding	17,808,484	17,756,535	17,614,730	17,551,668	17,521,765	17,188,635	17,162,554	16,931,241

¹ See "Definition of Non-IFRS Measures".

Impact of Trends and Seasonality on Quarterly Results
(in millions of dollars)

i) Revenue

Consolidated quarterly revenue for the last eight quarters was impacted as a result of revenue being the lowest in the third quarter following the summer as a result of staff taking vacations during the summer.

ii) Net earnings from continuing operations

Net earnings from continuing operations was significantly impacted in the last three quarters of 2013 as a result of the write-offs of accounts receivable and WIP, as well as the impairment of goodwill and intangibles as discussed in the Results of Operations section of this MD&A.

iii) Net earnings

Net earnings from continuing operations was significantly impacted in the last three quarters of 2013 as a result of the write-offs of accounts receivable and WIP, as well as the impairment of goodwill and intangibles as discussed in the Results of Operations section of this MD&A.

Liquidity and capital resources

i) Working Capital

The following table represents the working capital information:

<i>(in thousands of dollars)</i>	December 31, 2014	December 31, 2013	Change
Current assets	\$ 212,430	\$ 216,809	\$ (4,379)
Current liabilities	(113,241)	(108,206)	(5,035)
Working capital	99,189	108,603	(9,414)

Current assets decreased by \$4.4 million as at December 31, 2014 when compared with December 31, 2013. This is primarily the result of a \$7.7 million decrease in WIP, as well as a \$1.0 million reduction in income taxes recoverable. This was offset by a \$2.3 million increase in cash, as well as a \$1.6 million increase in accounts receivable. This was primarily attributable to the Company's continued focus on billings and cash collection.

Current liabilities increased by \$5.0 million as at December 31, 2014 when compared with December 31, 2013. This was primarily due to a \$13.7 million increase in accounts payable and accrued liabilities which is higher as a result of increased activity related to projects. The deferred revenue increased by \$14.2 million as a result of improved billing procedures across the Company. Income taxes payable have increased by \$0.9 million. The amount due to related parties of \$10 million was reclassified to current liabilities as amounts due to the GMP partnership are due April 2015. In addition, \$10 million of the amount due under the credit facilities were classified as current as a result of the renegotiation of the terms of this debt in Q4 2014. This was offset by the \$44.8 million carrying value of convertible debentures which were amended on July 23, 2014 to extend the maturity date to June 30, 2019. Accordingly, these were classified to long-term as at December 31, 2014.

ii) Working Capital Measured in Number of Days of Gross Billings¹

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 on a trailing twelve month basis, 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 ¹	December 31, 2013 <i>(unaudited)</i>	March 31, 2014 <i>(unaudited)</i>	June 30, 2014 <i>(unaudited)</i>	September 30, 2014 <i>(unaudited)</i>	December 31, 2014* <i>(unaudited)</i>
Accounts receivable	65	64	65	65	62
WIP	58	62	62	56	57
Deferred revenue	(9)	(12)	(12)	(16)	(19)
	114	114	115	105	100

*All figures in the table above have been adjusted to exclude results from discontinued operations.

There has been a total decrease of 14 days in working capital as of December 31, 2014 compared to the same period last year. Since Q3 2013, the Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process as noted by the improvement in the aging of receivables per the table below. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding even further.

Components of Working Capital

	December 31, 2013	March 31, 2014 <i>(unaudited)</i>	June 30, 2014 <i>(unaudited)</i>	September 30, 2014 <i>(unaudited)</i>	December 31, 2014
Accounts receivable	104.8	102.0	103.3	102.5	106.5
WIP	93.1	98.6	97.7	87.3	85.4
Deferred revenue	(13.8)	(18.5)	(18.9)	(24.5)	(28.0)
	184.1	182.1	182.1	165.3	163.9

¹ See "Definition of Non-IFRS Measures".

i) *Accounts Receivable*

The table below demonstrates the aging of receivables:

<i>Accounts receivable aging (net of allowance)</i>	<i>December 31, 2013</i>	<i>%</i>	<i>March 31, 2014 (unaudited)</i>	<i>%</i>	<i>June 30, 2014 (unaudited)</i>	<i>%</i>	<i>September 30, 2014 (unaudited)</i>	<i>%</i>	<i>December 31, 2014</i>	<i>%</i>
<i>(in thousands of dollars)</i>										
<i>Current</i>	34,283	32	40,730	40	39,465	39	37,214	36	40,284	38
<i>30 to 90 days</i>	31,353	31	26,814	26	32,182	32	30,613	30	32,241	30
<i>Over 90 days</i>	39,155	37	34,428	34	31,645	29	34,712	34	33,926	32
<i>Total</i>	104,791	100	101,972	100	103,292	100	102,539	100	106,451	100

The increase in accounts receivable is consistent with the increase in revenue. The Company made significant efforts to collect accounts receivable during the year. It is a major initiative of management to get billings out faster and collect outstanding invoices sooner.

ii) *Work In Process*

Work In Process has decreased \$7.7 million since December 31, 2013. There has been a decrease in WIP since Q3 2014 of \$1.9 million, which reflects the Company's initiative to accelerate the process of completing billings. The Company is monitoring the aging of work in process to ensure that any accounts where billing may be an issue are being dealt with on a timely basis.

iii) *Deferred Revenue*

Deferred Revenue from continuing operations has grown by \$14.2 million since December 31, 2013. There has been an increase in deferred revenue since Q3 2014 of \$3.5 million which is the result of the Company's continued efforts to get billings out faster as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

Cash Flows

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

<i>(in thousands of dollars)</i>	Three months ended December 31, 2014	Three months ended December 31, 2013	Change
Cash flows provided by operating activities	\$ 10,862	\$ 15,034	\$ (4,172)
Cash flows used in financing activities	(13,894)	(10,882)	(3,012)
Cash flows provided by (used in) investing activities	4,984	(706)	5,690

Operating Activities

Cash flows from operating activities for the three months ended December 31, 2014 were \$10.9 million compared to \$15.0 million for the same period last year.

After eliminating all the non-cash items in net income, the deterioration in operating cash flows is primarily due to the higher interest costs paid to the Company's senior lenders as a result of the renegotiation of the credit facilities during the three months ended December 31, 2014. In addition, higher taxes were paid during the three months ended December 31, 2014 compared to the same period last year in which tax refunds were received as a result of non-capital loss carrybacks.

Cash flows used in operating activities for discontinued operations for the three months ended December 31, 2014 was \$0.4 million compared to \$4.4 million of cash flows from operating activities for the same period in 2013. The decrease is primarily attributable to the disposal of the related revenue-generating assets.

Financing Activities

Cash flows used in financing activities for the three months ended December 31, 2014 were \$13.9 million compared with cash flows used in financing activities of \$10.9 million for the same period last year. In comparison to Q4 2013, the Company repaid an additional \$5.4 million to the credit facility, offset by a decrease in repayment on the vendor notes payable of \$2.4 million.

Cash flows used in financing activities for discontinued operations for the three months ended December 31, 2014 were \$nil compared to cash flows from financing activities of \$0.6 million for the same period last year. The decrease is attributable to the disposal of these operations.

Investing Activities

Cash flows provided by investing activities for the three months ended December 31, 2014 were \$5.0 million compared with \$0.7 million used for the same period last year. This is due to \$9.1 million of proceeds from disposal of discontinued operations, offset by \$4.2 million in capital expenditures, primarily related to equipping the Company's new office in Toronto.

Cash flows used in investing activities for discontinued operations for the three months ended December 31, 2014 and 2013 were nominal.

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

<i>(in thousands of dollars)</i>	Year ended December 31, 2014	Year ended December 31, 2013	Change
Cash flows provided by operating activities	\$ 26,948	9,624	\$ 17,324
Cash flows provided by (used in) financing activities	(18,309)	871	(19,180)
Cash flows used in investing activities	(4,484)	(1,931)	(2,553)

Operating Activities

Cash flows from operating activities for the year ended December 31, 2014 was \$27.0 million compared to \$9.6 million for the same period last year.

After eliminating all the non-cash items which have impacted net loss, the improvement in operating cash flows is the result of improved billings which has resulted in an increase in deferred revenue from \$13.8 million to \$28.0 million. In addition, the Company paid an additional \$2.7 million in interest to its senior lenders as a result of the renegotiation of its credit facilities. The Company also had an increase in net income taxes payable as at December 31, 2014 of \$2.0 million.

Cash flows used in operating activities for discontinued operations for the year ended December 31, 2014 were nominal compared to cash flows from operating activities of \$4.5 million for the same period last year. The decrease is primarily attributable to the disposal of the related revenue-generating assets.

Financing Activities

For the year ended December 31, 2014, the Company used \$17.5 million to repay the credit facility. In the year ended December 31, 2013, the Company increased its borrowings on credit line by \$10.2 million net of repayments, during the same period the Company repaid vendor notes of \$5.0 million, paid dividends of \$2.3 million and made distributions to non-controlling interests of \$2.0 million.

Cash flows used in financing activities for discontinued operations for the year ended December 31, 2014 was \$0.1 million compared to \$0.9 million of cash flows from financing activities for the same period last year. The decrease is attributable to the disposal of these operations.

Investing Activities

For the year ended December 31, 2014, proceeds from the disposal of discontinued operations were \$9.1 million, compared to nil for the same period last year.

During the year ended December 31, 2014, the Company incurred capital expenditures of \$13.6 million, which includes \$10.6 million to purchase computer and equipment to outfit offices in Toronto and Montreal. During the year ended December 31, 2013, the Company used \$1.9 million for capital expenditures.

Cash flows used in investing activities for discontinued operations for the year ended December 31, 2014 were nominal compared to \$3.7 million of cash flows from investing activities for the same period last year, which is primarily attributable to a decrease in capital expenditures.

Credit Facility and Bid Bond Guarantee Facility

As at December 31, 2013, the Company had a credit facility of \$120.0 million, which was set to mature July 29, 2016. The Company had borrowed \$87.8 million under the credit facility as at December 31, 2013 with unamortized transaction costs of \$2.4 million. The net amount of \$85.5 million was classified as long-term in the Consolidated Statement of Financial Position as at December 31, 2013. Advances under these credit facilities bore interest at a rate based on the Canadian dollar or U.S. dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to US\$20.0 million was available to the Company to meet certain project requirements calling for the issuance of bid bonds to international customers. As at December 31, 2013, the Company issued bid bonds in the amount of \$2.3 million under the Bid Bond Facility. The Bid Bond Facility was only available by way of letters of credit or letters of guarantee.

On October 2, 2014 the Company finalized the sale of its Quebec operations and a 49% equity interest in China. Proceeds received of \$9.1 million from the sale were used to reduce the existing indebtedness under the Company's credit facilities.

On October 6, 2014, the Company reached an agreement with its senior lenders to amend its existing credit facilities. The amended credit facilities consist of a swing line facility for \$3.5 million, a revolver facility for \$14.5 million, an office capital expenditure facility for \$7.0 million, a letter of credit facility for \$7.0 million and a term facility for \$62.0 million. The Bid Bond Facility was cancelled as part of the new financing agreement. The aggregate availability under the amended credit facilities on closing was \$94.0. The agreement requires step-down payments on the term facility of \$5.0 million on October 31, 2014, \$5.0 million on July 31, 2015, \$5.0 million on October 31, 2015 and \$47.0 million on maturity relating to the term loan facility. The Company made the required \$5.0 million payment to reduce the term loan facility in October. In addition, the availability on the term loan facility was reduced by \$5.0 million and the availability on the letter of credit facility was reduced by \$2.0 million during the year, resulting in total available borrowings under the amended credit facilities to \$87.0 million as of December 31, 2014. As at December 31, 2014, the Company had issued letters of credit of \$4.9 million. The credit facility has a maturity date of March 31, 2016.

The revolver facility is subject to a borrowing base calculation. In addition, the availability of each credit facility is subject to compliance with certain financial, reporting and other covenants. Advances under the credit facilities bear interest at a rate based on the Canadian dollar prime rate or US dollar base rate plus, in each case, an applicable margin.

The amendment to the existing credit facilities was considered an extinguishment for accounting purposes. This resulted in a write-off of deferred financing costs of \$2.5 million that was recognized in other finance costs in the Consolidated Statement of Comprehensive Loss.

The credit facilities contained financial covenants including funded debt to EBITDA ratio, fixed-charge coverage ratio, and restrictions on distributions, if certain conditions were not met. The Company was in compliance with its credit facility covenants as at December 31, 2014.

As at November 1, 2014, the Company was required under the credit facilities to renegotiate payment terms under the vendor notes payable. The Company did not comply with this covenant and subsequently obtained waivers to renegotiate the terms of the vendor notes payable by January 15, 2015, as noted in Note 19 – Notes Payable, in the audited consolidated financial statements. These notes were renegotiated by January 15, 2015. Subsequent to year end, the Company entered into a transaction to factor receivables that exceeded the allowed threshold by less than a thousand dollars. The Company has obtained a waiver from its banks.

Continued compliance with the covenants under the amended credit facilities 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 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 waivers, subject to lender approval, as may become necessary from time to time.

Security Interest of Senior Lenders

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 credit facilities. 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.

Notes Payable

The Company had notes payable due to the former owners of acquired businesses of \$5.0 million of which \$2.8 million was due September 30, 2014 and the remaining balance was due December 11, 2014. The Company renegotiated the terms of these notes payable in January 2015 to extend maturity to June 30, 2016. Monthly payments on these notes payable are US \$0.1 million until May 31, 2016 with a balloon payment of US \$2.7 million due June 30, 2016.

Balance, December 31, 2013	\$	5,381
Repayment		(795)
Foreign exchange		428
<hr/>		
Balance, December 31, 2014	\$	5,013

Convertible Debentures

The Company has three series of convertible debentures outstanding as at December 31, 2014.

7.0% Debentures (\$46.0 million principal, matures on June 30, 2019)

On July 23, 2014, IBI announced that it entered into a supplemental trust indenture with CIBC Mellon Trust Company, the trustee for the 7.0% convertible unsecured subordinated debentures ("Debentures") which were originally scheduled to mature on December 31, 2014, to give effect to the amendments approved at a special meeting of the Debenture holders to extend the maturity of the Debentures to June 30, 2019. In exchange for the extension of the maturity, Debenture holders that delivered and did not withdraw a valid proxy voting for the extension received either; a reduced conversion price to \$5.00 per share from \$19.17 per share with a consent fee note equal to \$86.96 per \$1,000 principal amount of Debentures ("Option B") or the Debenture holders retained the conversion price of \$19.17 per share and received a consent fee note equal to \$195.65 per \$1,000 principal amount of Debentures ("Option A"). The conversion price was also reduced to \$5.00 per share from \$19.17 per share for Debenture holders who did not deposit a proxy, abstained from voting or voted against the Debenture amendments ("Option C"). The Debentures bear interest from the date of issue at 7.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The consent fee notes are unsecured, non-convertible, mature on December 31, 2016 and bear interest at the rate of 7.0% per annum which is payable on maturity.

The amendments to the Debentures resulted in them being accounted for as extinguishments for accounting purposes. Consequently, the original Debentures were derecognized and the new Debentures (under Option A, B and C) were recognized at fair value, resulting in a pre-tax gain on extinguishment of \$21.1 million, net of transaction costs of \$0.9 million which was recorded to other finance costs in the statement of comprehensive loss.

The fair value of the new Debentures issued under Option B and C of \$18.7 million was estimated using the observed trading price as these Debentures are considered to be traded in an active market. The fair value was then allocated to the liability component in the amount of \$15.9 million using discounted future cash flows at an estimated fair value discount rate of 26.5% and the residual was allocated to the Option B and C conversion feature in equity. The fair value of the new Debentures issued under Option A of \$7.5 million was estimated using discounted future cash flows at an estimated fair value discount rate of 26.5%, with a comparison to pre-modification observed trading prices indicating that the equity component was of nominal value. As a result, substantively all of the fair value of the new Debentures issued under Option A was allocated to the liability component.

The fair value of the consent fee notes issued under Option A and B were \$2.0 million and \$0.5 million respectively, using discounted future cash flows at an estimated fair value discount rate of 26.5%.

The new Debentures and consent fee notes were subsequently measured at amortized cost using the effective interest method over their respective lives to maturity. As at December 31, 2014, the liability component of the new Debentures have an amortized cost of \$25.3 million and the consent fee notes have an amortized cost of \$2.6 million. The accretion expense for the new Debentures and consent fee notes was \$2.1 million for the year ended December 31, 2014. The equity component for the conversion feature of the new Debentures in the amount of \$2.9 million is measured at fair value at the date of issuance.

Post amendment, the ticker symbol for the new Debentures under Option B and C (aggregate principal amount of \$31.2 million) is IBG.DB and for Option A (aggregate principal amount of \$14.8 million) is IBG.DB.C. The fair value of the new Debentures under Option B and C was \$14.1 million and for Option A was \$8.4 million based on their respective quoted market price as at December 31, 2014.

5.75% Debentures (\$20.0 million principal, matures on September 30, 2017)

The 5.75% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on the date of conversion to a corporation and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. As at December 31, 2014, the liability component has an amortized cost of \$18.8 million (December 31, 2013 - \$18.4 million). The equity component for the conversion feature of \$0.9 million is measured at the fair value on the date of conversion to a corporation. The 5.75% Debentures have a maturity date of September 30, 2017 at \$20.0 million. The 5.75% Debentures are convertible into shares of the Company at the option of the holder at a conversion price of \$20.52 per unit. The 5.75% Debentures are redeemable by the Company at a price of \$1,000 per 5.75% Debenture, plus accrued and unpaid interest, on or after June 30, 2015 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2015, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of \$20.52). The Debentures bear interest from the date of issue at 5.75% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The fair value of the 5.75% Debentures was \$8.4 million based on the quoted market price as at December 31, 2014.

6.0% Debentures (\$57.5 million principal, matures on September 30, 2018)

The 6.0% Debentures are recorded as compound financial instruments. The liability component was recorded at fair value on issuance and was subsequently measured at amortized cost using the effective interest method over the life of the 6.0% Debentures. As at December 31, 2014, the liability component

has an amortized cost of \$54.3 million (December 31, 2013 - \$53.5 million). The equity component for the conversion feature of \$3.2 million is measured at the fair value on the date of conversion to a corporation. The 6.0% Debentures have a maturity date of September 30, 2018 at \$57.5 million. The 6.0% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$21.00 per share. The 6.0% Debentures are redeemable by the Company at a price of \$1,000 per 6.0% Debenture, plus accrued and unpaid interest, on or after June 30, 2014 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2016, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of \$21.00). The Debentures bear interest from the date of issue at 6.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The fair value of the 6.0% Debentures was \$22.4 million based on the quoted market price as at December 31, 2014.

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 loss and cash flow in support of 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 credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. 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.

If the interest rate on the Company's variable rate loan balance as at December 31, 2014, had been 50 basis points higher, with all other variables held constant, net loss for the year ended December 31, 2014 would have increased by approximately \$0.3 million. If the interest rate had been 50 basis points lower, there would have been an equal and opposite impact on net loss.

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 economically hedge 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, accounts receivable, work in process, accounts payable, credit facilities and vendor notes payable) held in the Company's Canadian operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower at December 31, 2014, with all other variables held constant, net loss would have increased or decreased by \$0.09 million for the year ended December 31, 2014.

(b) Credit risk

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for impairment 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 impairment loss experience.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

(c) Liquidity Risk

The Company strives to maintain sufficient financial liquidity 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 December 31, 2014, the Company had \$10.3 million of cash plus \$8.6 million of available credit under its credit facilities.

Access to additional liquidity is subject to meeting the terms of the credit facilities, the Company's operating performance and the implementation of a recapitalization plan subject to lender approval. As discussed in the Overview section of this MD&A, the Company amended the 7.0% convertible debentures, divested certain operations in Quebec and China and amended the credit facilities with the lending syndicate during the year.

As at December 31, 2013, the Company had \$8.1 million of cash plus \$29.8 million of available credit under its credit facilities.

IBI Group's swing facility and credit facility (the "Credit Facilities") will need to be renewed or refinanced no later than March 31, 2016. The Company is putting together a plan to support an extension or refinancing alternative, which is subject to approval from their lenders acting reasonably. Although the Company believes that it can negotiate an extension or renewal of the Credit Facilities or obtain replacement financing prior the expiration of the Credit Facilities, there can be no assurance that the Credit Facilities will be extended or renewed or that future borrowings will be available to IBI Group, or available on acceptable terms, in an amount sufficient to meet the Company's financing requirements at that time. If such an extension or renewal or future borrowings were not available, or not available on acceptable terms, it would have a material adverse impact on the Company's business and financial condition.

Contractual obligations

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the contractual obligations due on financial liabilities and commitments under operating leases as of December 31, 2014:

Contractual Obligations (in millions of dollars)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 57.4	\$ 57.4	\$ -	\$ -	\$ -
Vendor notes payable ¹	5.0	5.0	-	-	-
Credit facilities	73.4	10.0	63.4	-	-
Interest on credit facilities	6.2	5.0	1.2	-	-
Convertible debentures	123.5	-	20.0	103.5	-
Interest on convertible debentures	30.6	7.8	15.4	7.4	-
Operating leases	179.8	21.0	39.2	29.6	90.0
Consent fee notes payable	3.5	-	3.5	-	-
Finance lease obligation	0.9	0.7	0.2	-	-
Due to related parties	10.0	10.0	-	-	-
Total Contractual Obligations	\$ 490.3	\$ 116.9	\$ 142.9	\$ 140.5	\$ 90.0

*On July 23, 2014, the maturity date of the 7.0% Debentures were extended from December 31, 2014 to June 30, 2019.

For further information regarding the nature and repayment terms of the credit facilities and convertible debentures, refer to Note 6 – Financial Instruments of the audited consolidated financial statements for the year ended December 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 facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, 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.

Future Cash Generation

Specific items of consideration in future cash generation are as follows:

1. Ability to generate sufficient cash

The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds

¹ As at December 31, 2013, the Company had notes payable due to the former owners of acquired businesses of \$5.4 million of which \$0.8 million was paid during the year. The Company renegotiated the terms of the remaining balance of these notes payable in January 2015 to amend repayment terms with a maturity of June 30, 2016. Monthly payments on these notes payable are US \$0.1 million until May 31, 2016 with a balloon payment of US \$2.7 million due June 30, 2016.

acceptable to lenders. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

2. Circumstances that could affect funding

In the event that capital markets deteriorate or the Company does not execute on its business plan this will affect ability to attract and / or generate sufficient funds.

3. Working capital requirements

Currently the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. Situations involving extended payment

There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. Circumstances that impact essential transactions

Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. Sources of funds to meet capital expenditure requirements

With the exception of 2014, where new leases were signed on two major offices, the Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. Credit Facility

As outlined in previous paragraphs, the Company has entered into a new credit facility with senior lenders on October 6, 2014 that provides sufficient operating capital for the Company to execute its business plan, until March 31, 2016. The Company anticipates being able to re-finance the credit facility prior and up to maturity based on the recapitalization plan, subject to successful execution of that plan.

8. Divestures

The Company also has ongoing efforts in place to identify parts of the business where the return on assets does not align with the long-term growth and performance strategies established by the senior leadership team.

9. Convertible Debentures

As outlined above, the Company has three series of debentures that provide a basis of capital which requires repayment or refinancing over the period from September 2017 to June 2019.

Share capital

The company is authorized to issue an unlimited number of common shares. As at December 31, 2014, the Company's common share capital consisted of 17,808,484 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 December 31, 2014, the units issued on such exchange would have represented a 22.2% 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 consolidated financial statements as at December 31, 2014.

Share Issuances

- During the year ended December 31, 2014, the Company issued 141,805 common shares for a total of \$404 in exchange for Class B partnership units of IBI (US) Limited Partnership which had been issued in a prior year for the acquisition of one of its subsidiaries. This resulted in a reduction of non-controlling interest by \$2,233 with a corresponding increase to contributed surplus for \$1,829 in the period.
- During year ended December 31, 2014, the Company issued 113,991 shares for a total of \$250 related to the settlement of deferred share units exercised by former members of the Board of Directors.
- During the year ended December 31, 2014, the Company issued 20,000 common shares for a total of \$24 in exchange for Class D partnership units of IBI Group which had been issued in a prior year for the acquisition of one of its subsidiaries. This resulted in a reduction of non-controlling interest by \$301 with a corresponding increase to contributed surplus for \$277 in the period.

Accumulated other comprehensive loss

- During the year ended December 31, 2014, the Company incurred a loss of \$0.2 million related to the translation of financial statements of foreign operations from continuing operations, of which 78.2% is attributable to common shareholders.

Transactions with related parties

Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, the Fund, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the principals of the partners of the Management Partnership. The amount paid for such services during the

year ended December 31, 2014 was \$26.1 million (year ended December 31, 2013 - \$28.4 million). As at December 31, 2014 there were 98 partners (December 31, 2014 – 101 partners).

IBI Group from time to time 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. All of the Class B partnership units are held by the Management Partnership. As at December 31, 2014 and 2013 the amount of distributions payable to the Management Partnership were nil.

During the first quarter of 2010, the Management Partnership advanced \$26.0 million to IBI Group. The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's credit facilities with its bank lender and is unsecured. As at December 31, 2014, the remaining amount payable was \$10.0 million (December 31, 2013 - \$10.0 million). Interest expense on this advance was \$0.4 million for the year ended December 31, 2014 (2013 - \$0.4 million). The loan matures April 1, 2015 with no repayment prior to the maturity of the credit facility unless the Company achieves certain financial covenants. Subsequent to year end, the Partnership and Board of Directors approved a plan to convert the Principal outstanding into common shares of IBI.

As noted in Note 18 – Discontinued Operations of the audited consolidated financial statements, on October 2, 2014, Daniel Arbour, who previously led IBI Group's operations in China, acquired a 19% equity interest in IBI China Holdings Limited.

Critical accounting estimates and judgments

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

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

Liquidity

IBI Group's credit facilities ("Credit Facilities") will need to be renewed or refinanced no later than March 31, 2016. The Company is putting together a plan to support an extension or refinancing alternative, which is subject to approval from their lenders acting reasonably. There can be no assurance that the Credit Facilities will be renewed or that future borrowings will be available to IBI Group, or available on acceptable terms, in an amount sufficient to fund IBI's needs, which would have a negative impact on IBI's business and financial condition.

Revenue Recognition

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

Recoverability of accounts receivable

The Company records accounts receivable net of impairment losses due to its inability to collect on its trade receivables. The Company uses specific factors to determine the estimated losses that are based on the age of the outstanding receivables and on its historical collection and loss experience.

Valuation of goodwill and intangible assets

The Company performs impairment testing on its long-lived assets annually for goodwill and intangible assets, and when circumstances indicate that there may be impairment, for other long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in determining the grouping of assets to identify Cash Generating Units ("CGU") for the purpose of impairment testing.

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. Fair value less costs to sell is based on either available data from sales transactions in an arm's-length transaction of similar assets, or on 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 fair value calculation is based on a multiple of earnings approach, which is the same as the Company uses in determining the fair value of its acquired entities. The calculation is most sensitive to the projected future earnings of the CGUs and the selected earnings multiple. Other significant estimates and assumptions include future working capital requirements.

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the audited consolidated financial statements for the year ending December 31, 2014 are as follows:

Revenue Recognition

The Company accounts for certain of its revenue in accordance with IAS 11 *Construction Contracts*, ("IAS 11") which requires estimates to be made for contract costs and revenues and IAS 18 *Revenue* ("IAS 18"). Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best estimate based on the information available at that point in time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

Valuation of work in process and deferred revenue

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 recoverable. 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 professional costs to be incurred to complete the project.

The Company records its deferred revenue based on projects for which billings exceed work in process. Estimating total direct labour costs is subjective and requires the use of management's best estimate 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 deferred revenue.

Onerous lease provisions

The Company recognizes provisions when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Management has recorded a provision related to lease exit liabilities which requires estimation of the expected sublease income and discount rate reflective of the risk profile of the obligation.

Derecognition of financial liabilities

A financial liability is derecognized when the underlying contractual obligation is discharged, cancelled or expires. As described in note 6(b) of the audited consolidated financial statements, management applied judgement in assessing the extinguishment of the liability and equity components of the convertible debentures.

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.

Accounting developments

a) Changes in Accounting Policies

IAS 32, Offsetting Financial Assets and Financial Liabilities

In December 2011 the IASB published Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset, as well as when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. 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 audited consolidated financial statements.

IAS 36, Recoverable Amount Disclosures for Non-Financial Assets

In May 2013, the IASB issued *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*. The amendment reverses the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amounts of all cash generating units to which significant goodwill or indefinite-life intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. 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 audited consolidated financial statements.

IFRIC 21, Levies

Beginning January 1, 2014, the Company adopted *International Financial Reporting Interpretations Committee ("IFRIC") 21 Levies* on a retrospective basis with restatement. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards, fines, or penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The adoption of *IFRIC 21* did not have a material impact on the consolidated financial statements.

b) Future Accounting Policy Changes

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) cycles

In December 2013, the IASB issued narrow-scope amendments to a total of eight 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 consolidated 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.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to provide guidance on the application of judgment in the preparation of financial statements and

disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The extent of the impact of the adoption of the amendments have not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption.

IFRS 15 will replace IAS 11, IAS 18, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard 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 Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as at December 31, 2014, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2014, and ended on December 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. On January 1, 2014, the Company adopted the Committee of Sponsoring Organizations new internal control framework, which did not have a material impact on the Company's internal controls over financial reporting and disclosure controls and procedures.

Definition of non-IFRS measures

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this

document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. Adjusted EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company's ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA 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.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on net income adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments.
- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses).
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property.
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary.
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the headings "Results of Operations".

2. 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 information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which over the last two years has been approximately 25% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.