MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes ("financial statements") of IBI Group Inc. (the "Company") for the three and six months ended June 30, 2012.

This MD&A is dated as of August 8, 2012. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2011, is or will be available on SEDAR at www.sedar.com.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") for financial statements and is expressed in Canadian dollars.

Business

IBI Group Partnership ("IBI Group") is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation infrastructure and intelligent systems. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

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 four 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. IBI Group provides these services in major cities across Canada, the United States, Europe, Asia and the Middle East, as well as in other international centers.

IBI Group Inc., ("the Company") and the IBI Group Partnership

The Company is the successor to IBI Income Fund, following the completion of the conversion from an income trust to a corporate structure by way of a court-approved Plan of Arrangement under the *Canada Business Corporations Act* (the ''CBCA'') on January 1, 2011 (the ''Arrangement''). Pursuant to the Arrangement, on January 1, 2011, holders of Fund Units received one Common Share for each Fund Unit held.

The Company now owns, directly or indirectly, the limited partnership units of IBI LP and the Class A Units of the IBI Group partnership as well as the common shares of IBI GP Limited.

The Company is entirely dependent upon the operations and assets of the IBI Group Partnership in which it indirectly holds 16,533,220 Class A partnership units, representing 76.7% of the issued and outstanding Class A and Class B partnership units (the "Partnership Units") of IBI Group Partnership. IBI Group Management Partnership ("Management Partnership") holds 5,025,778 Class B partnership units of the IBI Group, representing the remaining 23.3% of the issued and outstanding Partnership Units of IBI Group. The Class B partnership units of IBI Group are exchangeable into common shares ("Shares") of the Company on a one for one basis, subject to adjustment. In addition, the Management Partnership holds 5,025,778 non-participating voting shares ("Non-Participating Voting Shares") of the Company which entitle it to a number of votes at meetings of shareholders of the Company equal to the number of common shares into which the Class B partnership units are exchangeable.

In addition to the Class B Units, the Management Partnership and IBI Group Investment Partnership, the partners of which are also partners of the Management Partnership are controlled by a person who controls a partner of the Management Partnership, together hold 3,964,511 Shares of the Company. These interests represent an interest of approximately 41.7% in the Company on a partially diluted basis, assuming the exchange of the Class B Units for Shares of the Company. There are 16,533,220 Shares issued and outstanding as at June 30, 2012 (21,558,988 Shares issued and outstanding on a partially-diluted basis).

The common shares of the Company have been listed on the Toronto Stock Exchange from January 1, 2011, the effective date of the conversion, and commenced trading on the Exchange under the symbol "IBG" on January 4, 2011, at which time the units of the Fund were delisted.

On April 20, 2012 the Company issued 2,700,000 common shares on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters for gross proceeds of $40.5 million.

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

Concurrent with the Offering, the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to the Management Partnership in full satisfaction of $10.0 million of indebtedness owed by the Company to the Management Partnership.

Operating Highlights

The results for the second quarter ended June 30, 2012 are based on 63 available working days, which is consistent with the second quarter ended June 30, 2011 and the first quarter ended March 31, 2012. The highlights are:

- Revenue at $88.6 million was $6.3 million above the second quarter of 2011, and up $1.7 million compared with the first quarter of 2012. This is the highest quarterly revenue ever achieved by IBI Group. Revenue included organic growth of 3.5% over the second Quarter of 2011.
- EBITDA[1] of $12.0 million decreased $0.7 million from the second quarter of 2011, and increased $0.6 million compared to the first quarter of 2012.

- EBITDA[1] as a percentage of revenue for the second quarter of 2012 was 13.6%, a decrease of 1.8% when compared to the second quarter of 2011 and an increase of 0.5% when compared to the first quarter of 2012.
- Net Earnings per share ("EPS") for the second quarter of 2012 was $0.2799, an increase of $0.0439 (18.6%) compared with Net Earnings[2] per share of $0.2360 for the second quarter of 2011 and an increase of $0.0734 (35.5%) compared with the net earnings per share of $0.2065 for the first quarter of 2012.
- Distributable cash[1] of $6.6 million was down $0.7 million from the second quarter of 2011 and up $0.3 million when compared to the first quarter of 2012. The payout ratio for the second quarter of 2012 was 88.6%, an increase from 79.2% for the second quarter of 2011 and a decrease from 89.0% for the first quarter of 2012.

IBI reports the working capital tied up (accounts receivable, work in process and deferred revenue) in terms of gross billings per day. This is the most meaningful measure of performance with IBI increasingly assuming the lead role on large projects that involve more subconsultant participation in fee volume and recoverable expenses. The current level of the working capital tied up measured in gross billings is 147 days at the end of the second quarter 2012. A decrease of the equivalent of 9 days from the peak of 156 days at the end of the second quarter 2010. The 147 days is an increase of the equivalent of 5 days at the end of the second quarter of 2012 compared to the first quarter of 2012. Productive efforts in collection resulted in a decrease in accounts receivable aged over 90 days by the equivalent of one working day compared to the first quarter of 2012. Billing work in process resulted in the increase in accounts receivable aged less than 90 days. Notwithstanding, work in process increased by one day, which largely arises from an increase in numerous new projects with large subconsultant work such as the Tel Aviv Red Line Transit project. Management continues its commitment to strive to reduce the total working capital tied up. As of the end of July, the accounts receivable was further reduced by the equivalent of one day.

The policy of IBI Group is to maintain the current level of the dividend based on the current level of revenue and earnings, as IBI Group did through the first and second quarter of 2012. IBI Group will continue to strive to reduce accounts receivable aged over 90 days as was achieved in the second quarter of 2012 and to grow the firm so as to increase revenue and earnings leading to the gradual reduction of the payout ratio.

Building the Practice of IBI Group as "Global Designer of Local Communities"

The basic objective of IBI Group is to build a Global Professional Practice in the planning, design and development of the physical components of urbanization throughout the world. Urbanization is one of the main driving forces in social and economic systems worldwide. While there are cultural differences, much of the physical aspects in the formation of cities; transportation and other infrastructure, buildings and public spaces for the accommodation of human activity are subject to the same professional and technical substance. Accordingly, the

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(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"

(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three and six months ended June 30, 2012.

expanding knowledge and experience of IBI Group is transferrable throughout these world markets. IBI Group's core areas of activity in Urban Land, Building Facilities, Transportation Infrastructure, and Intelligent Systems are the primary elements of the physical development of such urban areas. IBI Group is building this broad based expertise that provides the intelligence and knowledge that informs the work of IBI Group to address urbanization in metropolitan areas throughout the world.

IBI Group sees this intelligence in various perspectives:

1) Intelligence regarding operations of facilities and infrastructure and the impact of change in technology on these operations. In major transportation and social infrastructure and in cities, the increasing scale of work of IBI Group provides the growing intelligence to enable IBI Group to establish centres of excellence that operate on a world scale throughout the whole of the firm. This intelligence can then be deployed through the local offices serving local communities;

2) Intelligence on human senses and interaction with infrastructure and the built urban environment; the expanding body of work that IBI Group has implemented enables IBI Group to assess, with the participation of users of infrastructure and facilities, the human reactions to these environments and to learn what functions better for the human senses;

3) Intelligence on the technical aspects of the product of the work implemented; construction details in infrastructure and in building details regarding constructability, maintenance, costs; and

4) Intelligence in the doing of the work; intelligent systems to access the body of knowledge; organization for the planning design and implementation.

As IBI Group grows, the knowledge base of our intelligence is both extended and intensified, heightening the quality of the work that IBI can produce. The IBI Group model is to operate as one integrated global firm to access this intelligence and apply it by the delivery of that expertise through local communities. Accordingly, IBI Group is growing in its diversity of professional skills and in establishing physical presence in local offices throughout the world.

The business benefits of this strategy are multiple:

1) IBI Group has expanding and intensifying access to professional business opportunities with decreasing competition due to IBI Group's growing intelligence and expertise;

2) IBI Group can move this intelligence to clients with needs in urban areas that are growing and be present where markets are robust as economies fluctuate; and

3) IBI Group can access human talent in various areas of the world with the IBI global platform.

Accordingly, IBI Group will continue in this long term strategy through both organic and strategic growth. Organic growth is the long term core of IBI Group's growth. IBI Group has achieved an average of 12% organic growth per year since 1995. Organic growth in the second quarter of 2012 was 3.5%, demonstrating the continuing recovery from the recession that impacted operations in the fourth quarter of 2008 and thereafter. Once IBI Group has established the base global platform, the continuing emphasis will be primarily on organic growth.

IBI Group also will grow via strategic growth from acquisitions, to advance IBI Group in reaching the base global platform and to strengthen areas of expertise. IBI Group pursued this strategy through the recession that started in late 2008. During this time, IBI Group continued to build a platform of world leading expertise in the design of health care facilities, in education facilities and in intelligent systems, while addressing the reduction in housing developments in the USA and other markets. IBI Group's long term strategy will be consistently pursued but with adjustments necessary from time to time, as was the case during this recent recession with respect to housing.

IBI Group will continue to pursue work directly on behalf of the owners in what is commonly termed the "conventional" method, in which architects, engineers and other professionals are engaged directly by the owners. The owners then subsequently engage directly construction contractors and suppliers. IBI Group will also continue to grow in the new methods of delivery in Design Build and Private Finance Initiative (PFI), and/or Public Private Partnerships ("P3"). IBI Group's expanding relationships with world leading construction contractors and financiers/ investors in such work provides an alternate to delivery of facilities for public agencies who are lacking capital to invest in transport infrastructure and social infrastructure required for their societies. This method has been effectively adopted in Canada, in Great Britain and other countries throughout the world. IBI Group is also broadening relationships with investors and financiers of facilities for private ownership. IBI Group will work on a continuing basis to build the global practice of the firm.

This global platform, within one fully integrated firm, and with local delivery of diversity of world experience in services, provides IBI Group the growth opportunities and dexterity to continue to succeed while facing economic slowdowns and turmoil.

To operate on this basis requires leadership in the professional development of the centres of excellence on a global basis, as well as leadership of the delivery of services on local levels to specific clients. This leadership is provided by the owners of the Management Partnership who, in effect, are owner managers of the professional practice and business of the IBI Group Partnership. The number of partners of the Management Partnership has increased in line with the rapid growth of the firm. In 2004, at the time of the IPO, there were 35 partners and associate partners of the Management Partnership. This number has now grown, in 2012, to 91 including the election of a net additional 10 over 2011. These partners are compensated through management compensation, as well as dividends and distribution from IBI Group. This aligns the interest of the partners in the Management Partnership with the interest of the investors in the IBI Group business through the Company.

The Management Partnership with 91 partners, as of June 30, 2012, has grown to a scale that requires the clustering of the partners within geographic regions/and or functional areas of excellence so as to perform effectively. The top leadership of the Management Partnership is represented by the chairman partner and CEO, the two managing partners, and five operating partners forming an executive group of 8 senior directors. Four of the five operating directors were appointed to their positions effective February 1, 2012. The Management Partnership intends that with the continued growth of the practice and the business of IBI Group, and the election of more partners within the Management Partnership, that additional operating partners will be appointed. The exposure to the full range of activities of the firm to this executive level will provide both the experience and continuity in the leadership of the firm.

Strategic Program of Growth

On August 3, 2012 IBI closed the acquisition of the practice of Taylor Young Limited Architects and Master Planners ("Taylor Young") within the IBI Group of Firms. Taylor Young is a full services architectural practice including professional skills in urban planning and design and landscape architecture, based in Manchester, UK with offices in Liverpool and London. The firm has a strong reputation in the design of facilities in healthcare, education, housing, as well as urban planning/design and landscape design for a broad range of clients. The firm is highly experienced in sustainability of design integrated with such facilities. This acquisition will further enhance IBI's professional strength in the UK market, particularly in the Midlands and the North, as well as contribute to the growing strength of the global practice of the firm in health and education. Professional experience in urban planning and urban design, as well as landscape architecture and the architecture of housing in the UK will broaden the current areas of practice of the IBI capabilities in the UK. Taylor Young has a very broad range of clients in the public sector with over 70% of the business gained on a repeat basis with long established client relationships. The firm has approximately 100 staff members and is well managed with profitable operations and a strong backlog of committed work.

IBI Group focused on strategic growth in Canada from the IPO in 2004 through to the third quarter of 2008. During that period of time, IBI Group acquired numerous firms of outstanding quality bringing the Canadian practice to a national leader in the areas of IBI's professional expertise. This focus on Canada first for strategic growth, enabled the acquisition of many firms in a short period of time as the greatest strength of IBI Group managerial and professional leadership was Canadian based. It was also financially efficient as the public entity within the IBI Group Partnership was a business income trust. Now that IBI Group has reached a leadership position professionally within the Canadian market, the strategic focus of acquisitions is outside Canada. Notwithstanding the focus shifting to attractive areas for IBI Group's practice outside Canada, IBI Group continues to consider specific acquisitions/strategic alliances that will enhance the strong presence of IBI Group in Canada.

IBI has in the recent past years achieved major strategic growth in the UK. IBI initiated operations in the UK in the early 1990's and established through organic growth, a presence in intelligent systems applied to transportation and communications. This practice was involved recently in traffic control planning and management for the London Olympics. More recently, IBI acquired the firm of Nightingale, architects with an international reputation as a centre of excellence in the planning and design of hospitals and other health care facilities. Nightingale also has experience in buildings for scientific, academic and research purposes, as well as buildings for educations. As noted above, IBI closed the acquisition of the practice of Taylor Young. IBI now has a robust presence in the UK market, including offices in the south and midlands/north of England, as well as in Scotland, and a presence in the Republic of Ireland. As in Canada, IBI anticipates that its further growth in the British Isles markets will be focused on more on organic growth, building and expanding upon this existing base of operations. IBI will similarly consider specific opportunities for further acquisitions/strategic alliances and that will enhance the IBI practice within the British Isles.

The USA continues to be the largest economy in the world and as such IBI will continue to focus on building our American business. As noted in the second quarter report, IBI Group activity in industrial buildings, (the reawakened automotive industry), in education facilities, (charter schools, high schools, community colleges and university buildings), in intelligent systems; (traffic management, traveller information), and transportation including transportation oriented development, continued to be productive areas of IBI Group activity during the recession from late 2008 to present. IBI Group made acquisitions/strategic alliances on a selective basis of a series of prominent firms in various regions of the US with strength in the architecture of education facilities. The most recent example is DOWA in the northwest of the USA, operating in Oregon and Washington State. IBI Group will continue to pursue this strategy with respect to these professional areas as well as an enhanced focus going forward on the architecture of health care facilities. In the context of the continuing under-performing economic environment in the USA, there are outstanding opportunities for acquisition/strategic alliances with outstanding professional firms. The resources from these firms can also participate with IBI Group on work in Canada as well as other international markets as the economy of the USA recovers.

The basic model of IBI is to initiate its presence through organic growth in geographic regions in which IBI believes it can effectively provide its professional services in the four broad areas of practice. Following that initial organic growth creating an initial core group, IBI then accelerates the growth through strategic acquisitions as has now been largely accomplished in Canada and the British Isles. IBI will similarly consider acquisitions/alliances in other international markets including China, India, Eastern Europe, Brazil and Mexico. Similarly to Canada and the British Isles, the long-term growth in these emerging markets for IBI will be based on continuing organic growth on top of the expanded base achieved through strategic growth. In longer term, that will place IBI in a sustainable model of generating additional net fee revenues and income and cash earned through continuing organic growth on a global platform and mitigate the requirement for significant amounts of additional capital for financing strategic growth.

Major Projects

IBI Group continued in the second quarter of 2012 to expand its capability. Notable areas of expansion of capability include:

- IBI Group is experiencing continued growth worldwide in the architecture of social infrastructure; including health care, educational and justice related facilities, which includes new projects internationally;
- The application of IBI Group's capability in intelligent systems from transportation and communications to other applications including management of building systems, energy systems in water distribution and other significant applications that have applicability to metropolitan urban regions throughout the world, IBI Group continues to receive new mandates in world markets including a major new project for traffic management in South Africa;

- The growth in major transportation projects in which IBI Group has been mandated with lead role. A notable example is IBI Group being selected, after a rigorous international bidding process, as the prime contractor for the design contract by NTA – Metropolitan Mass Transit System Ltd. for the ten underground transit stations in the Tel Aviv metropolitan area; following a three month delay in Q3 of 2011, due to a legal challenge, the contract was settled and the work is now actively underway and the IBI scope is extending;
- The growth in the private sector work in real estate and industrial developments which continues to be strong in major Canadian urban areas, and in China; and
- The overall growth in the resources and capability of the firm. IBI Group has grown in the number of people reflecting the growth in revenue and now comprises 2,950 members of the firm, compared to 2,764 as at June 30, 2011. Including the T&Y acquisition concluded in July 2012 IBI Group now has 3,050 members. With this growth in personnel and professional excellence, IBI Group increasingly is awarded leading professional and managerial roles for proponents and owners of development projects. These include major projects in social infrastructure (such as the McGill University Health Centre in Montreal; Women's College hospital in Toronto and a wide range of other projects in Western Canada and the UK); major transportation projects in transit facilities, increasing work in the highway/road mode; airport expansion notably in Montreal and Toronto; the comprehensive provision of intelligent systems based on IBI Group software, integration of hardware, and the delivery of complete systems including ongoing operations (a major new highway traffic management system in South Africa); and now with improvement in certain private property markets, the leadership of major real property developments in Canada, Eastern Europe and Asia. In Canada, these include; land development in Alberta (particularly related to the strong growth in the North); diverse hi-rise residential and office buildings in Montreal, Toronto and Vancouver; major retail developments and work in the hospitality sector. The progress of the firm in extending the excellence of its professional capability and the breadth and depth of resources provides an increasingly effective platform for IBI Group as a significant participant in the design of physical aspects of urbanization throughout the world with IBI Group's global experience, complemented by IBI Group's established physical and operating presence in local communities.

The scope of these efforts is validation of IBI Group's integrated operating model of providing comprehensive professional services to clients in Canada, the USA and in international markets, resulting in the achievement in the second quarter of 2012 being the highest quarterly revenue of the Company to date.

Background

IBI Group commenced its professional practice in November 1974. The vision that IBI Group had at the time and continues to pursue is the establishment of a comprehensive practice for the planning/design of sustainable urban environments including, urban built form (place) and facilities (space) the transportation infrastructure (movement) and Intelligent Systems (intelligence) in major urban regions throughout the world. Urbanization, which is the clustering and concentration of population in urban environments, is a continuing phenomenon in the developing, as well as the mature economies of the world. With the growth and intensification within urban areas, there is growing demand for the services of IBI Group in its four main areas of practice, being the planning and design of urban land, building facilities, transportation networks and intelligent systems.

The initial practice of IBI Group was exclusively Canadian based, primarily in Toronto. IBI Group extended its practice across Canada in the 1970's, established bases of operations in the United States in the 1980's, extended into Europe in the 1990's and into Asia in 2000. From 1974 through to 2000, all of the growth within IBI Group was organic growth within the firm. In 2000, IBI Group established the target of extending its practice to operate effectively in the rapidly growing economies in Asia and elsewhere throughout the world on a global scale. In order to achieve global scale, IBI Group decided to consider strategic growth for the acquisition and integration of firms within IBI Group. By 2004, IBI Group had acquired five firms and had proven its ability to successfully integrate leadership and practices within IBI Group.

In 2004, IBI Group embarked on a program of intensifying the strategic growth through acquisition, integration and consolidation, on top of organic growth of the expanding base. Equity required for this strategic growth was obtained by the IBI Group Management Partnership entering into a partnership with outside investors through the Initial Public Offering (IPO), completed on August 31, 2004. Since that time IBI Group has successfully grown from a staff of approximately 770 people and approximately $89.0 million in annualized revenue to the current level as at June 30, 2012 of approximately 2,950 members of staff, and annualized revenue of approximately $350 million.

From 1974 to June 2011, IBI Group has experienced recessions that included: the severe recession in North America in the mid 1970's when IBI Group commenced its operations; the recession of the early 1980's; the more severe slowdown of the first half of the 1990's; the demise of the dot com bubble and the impact of 9/11 in the early decade of 2000. During these past 38 years, IBI Group continued to grow from its initial group of 30 people through to the current level of 2,950. Each of these recessions presented particular challenges, as did the recent recession that continued through 2010.

Outlook

IBI Group's operating structure and seasoned, experienced leadership which provided the motivation and discipline in the management of growth over the past 38 years, equally provides the experience of managing in the context of recessionary times such as the current financing and economic challenges. Accordingly, IBI Group continues to be confident in its ability to achieve a program of continuing to build with successful financial results, the global practice in the comprehensive planning/design of urban environments, including infrastructure, urban and facilities development. This confidence is based on the following approach of diversity and resilience of IBI Group as follows:

- Practise Diversity: IBI's professional practice is based on four broad areas of activity; urban land, building facilities, transportation and intelligence systems. These areas are interactive and mutually supportive, and enable IBI to provide clientele, a wide range of professional services across a broad range of projects and build a continuing relationship with clients;

- Global Platform: IBI has built solid bases in Canada, the British Isles and emerging in the USA, as well as having targets in other target areas as noted above. This geographic spread with offices serving local communities across the world enables IBI to reach into varying markets as economic circumstances in different markets ebb and flow providing a further dimension of resilience;

- Public/Private: IBI serves clientele in the public, government and institutional sectors, as well as in the private sector. At the time of the financial crisis of Q4 2008, IBI had excessive exposure to the housing industry. During the period since, IBI has built a strong capability in social infrastructure with applications in health, education and other fields, along with work in the transportation infrastructure and intelligence systems. This has diversified IBI's offerings into public institutional clientele. At the same time, IBI has maintained a strong, but relatively reduced exposure to private sector real estate developments in housing, hospitality, office and other development sectors;

- Diversity of Clientele: In addition to the geographic spread, the public private mix and the broad range of IBI services, IBI works diligently to broaden its base of clientele through a wide range of projects, now over 5,500, thereby reducing exposure to any one client group.

Based on this model, IBI's resilience is demonstrated by the following factors:

- IBI Group continues strong performance with revenue for the quarter at the highest ever.
- Committed fee volume for the ensuing 12 months represents approximately 9.5 months equivalent of work, based on the current pace of work that IBI Group has achieved during the last twelve months ended June 30, 2012. Backlog for government and public institutional clients now represents approximately 69% of total backlog. Backlog continues to be very strong in building facility areas in health care, education, and housing, the industrial sector, in transportation terminals, transportation networks and intelligent systems. IBI Group is increasingly receiving new mandates for a wide range of substantial projects in the design stage, as well as some of these now moving into design development and working drawings as projects proceed to sales;
- IBI Group's committed backlog is approximately 14% of fee volume for projects outside of North America and 25% for the United States and 61% in Canada which is generally consistent with the distribution of revenue earned in the current quarter; and
- IBI Group is progressing with the integration of the 2011 acquisitions, CRJA, CSM, CHBA, Bay, and DOWA, and the further integration of the firms acquired through 2010.

IBI Group is in various stages of negotiation with a number of firms who could add further strength to the IBI Group program in the USA, and outside North America.

Accordingly, the outlook for IBI Group for the remainder of 2012 is very encouraging:

- Commitment of new work for IBI Group continued to be greater than 9.5 months on a very wide range of substantial projects
- The current staff complement is appropriately sized for the backlog of ongoing committed work at the professional standards of the firm, with capacity to handle the work from the significant projects that IBI Group now has full authorization to proceed. IBI Group will adjust staffing levels as necessary in respect to the pace of the work, there are some areas of activity that may require additional staff and others needing some trimming of current staff numbers with further efforts as were taken during this second quarter of 2012. IBI Group successfully deploys staff resources through its platform of intelligent systems throughout its network of offices. However, the requirement for local staff and specialized skills does lead to the adjustments both upwards and downward in accordance with project requirements.
- Further acquisitions are under active pursuit and a number of new opportunities are being pursued;
- IBI Group's lenders continue to be very supportive of IBI Group efforts. Our Banking Arrangements are committed to December 2016; and
- The Company successfully raised $40.5 million of capital through a share issue of 2,700,000 shares at $15.00 per share. Concurrent with the Offering, the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to IBI Group Management Partnership in full satisfaction of $10.0 million of indebtedness owed by the Company to the Management Partnership.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended June 30, 2012 (Unaudited)	Three months ended June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2011 (Unaudited)
Revenue	$ 88,558	$ 82,301	$ 175,454	$ 160,086
Expenses				
Salaries, fees and employee benefits	61,089	55,246	121,640	108,234
Other operating costs (other than interest)	15,418	14,497	30,465	28,475
Other finance costs	55	291	158	580
Acquisition-related costs included in other operating costs	(32)	(402)	(240)	(620)
	76,530	69,632	152,023	118,654
Earnings before income taxes, interest and amortization (EBITDA[1])	12,028	12,669	23,431	23,417
Interest	3,310	3,879	6,913	7,381
Change in fair value of financial instruments and other finance costs (income)	41	187	100	122
Income taxes – current	1,047	1,548	2,137	3,200
Income taxes – deferred	(445)	(263)	(583)	2,230
Amortization of property and equipment and intangible assets	2,505	2,603	5,064	5,332
Foreign exchange loss (gain)	(142)	66	147	284
Acquisition-related costs	32	402	240	620
Net earnings before non-controlling interest	$ 5,680	$ 4,247	$ 9,413	$ 4,248
Non-controlling interest	1,376	1,186	2,413	1,186
Net earnings attributable to owners of the company	$ 4,304	$ 3,061	$ 7,000	$ 3,062
One time non-cash tax on conversion to a corporation	-	-	-	3,131
Proportion of earnings attributable to Class B Partnership Units	-	-	-	(874)
Adjusted Net Earnings[1]	$ 4,304	$ 3,061	$ 7,000	$ 5,319
Basic adjusted net earnings per share[2]	$ 0.2799	$ 0.2360	$ 0.4864	$ 0.4100
Total assets	$ 488,143	$ 471,162	$ 488,143	$ 471,162

(1) See “Definition of Adjusted Net Earnings, Adjusted Net Earnings per Share, EBITDA, Distributable Cash and Non-IFRS Measures”

(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three and six months ended June 30, 2012.

Results of Operations

The professional services provided by the Company, focused on the four main areas of the physical development of cities and comprise the core business of the Company.

Revenue

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

For the three months ended June 30, 2012, revenue was up $6.3 million (7.7%) to $88.6 million compared to $82.3 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, revenue was up $15.4 million (9.6%) to $175.5 million compared to $160.1 million for the six months ended June 30, 2011.

The following table summarizes the impact of the strategic growth through acquisition and the organic growth for the three and six months ended June 30, 2012.

Increase in Revenue

	Three months ended June 30, 2012 vs. 2011		Six months ended June 30, 2012 vs. 2011	
	$ million	%	$ million	%
June 30, 2011	82.3		160.1	
Strategic growth	2.2	2.7	6.8	4.2
Organic growth	2.9	3.5	6.8	4.2
Total growth before foreign exchange	5.1	6.2	13.6	8.4
Impact of foreign exchange	1.2	1.5	1.8	1.2
Total increase in revenue	6.3	7.7	15.4	9.6
June 30, 2012	88.6		175.5	

Revenue from strategic growth through acquisitions/mergers was approximately $2.2 million (2.7%) for the three months ended June 30, 2012 and $6.8 million (4.2%) for the six months ended June 30, 2012. This strategic growth for the three months ended June 30, 2012 was generated through additional revenues resulting from the acquisition/merger of CRJA and DOWA in the third quarter of 2011.The strategic growth for the six months ended June 30, 2012 included three months of results for the acquisition/merger of Bay Architects in the first quarter of 2011, and the revenues from CRJA and DOWA. Organic growth for the three months ended June 30, 2012 was up $2.9 million (3.5%) compared with the three months ended June 30, 2011. Organic growth for the six months ended June 30, 2012 was up $6.8 million (4.2%) compared with the six months ended June 30, 2011. The foreign exchange impact on revenue is accompanied by a proportionally similar impact on costs that largely offset the impact on revenue and therefore do not impact net profitability.

The overall growth in activity was accomplished through an 8.9% increase in the average number of staff from 2,685 during the three months ended June 30, 2011 to 2,925 during the three months ended June 30, 2012. The number of staff as of June 30, 2012 was 2,950, up from 2,722 as of June 30, 2011.

Expenses

Salaries, fees and employee benefits for the three months ended June 30, 2012 were up $5.9 million (10.7%) to $61.1 million compared with $55.2 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, salaries, fees and employee benefits were up $13.5 million (12.5%) to $121.7 million compared to $108.2 million for the six months ended June 30, 2011. This increase was the result of the growth in staff levels and increased wages. Salaries, fees and employee benefits as a percentage of revenue for the three months ended June 30, 2012 were 69.0% compared with 67.1% for the three months ended June 30, 2011. For the six months ended June 30, 2012, salaries, fees and employee benefits as a percentage of revenue were 69.3% compared with 67.6% for the six months ended June 30, 2011. IBI Group will strive to improve this percentage with increased productivity to seek to achieve the target range of 64% to 65%.

Other cash operating costs (other than interest) for the three months ended June 30, 2012 were up $1.0 million (6.9%) at $15.4 million compared with $14.5 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, other cash operating costs (other than interest) were up $2.0 million (7.0%) to $30.5 million compared to $28.5 million for the six months ended June 30, 2011. As a percentage of revenue, other operating costs (other than interest) for the three months ended June 30, 2012 were 17.4% compared with 17.6% for three months ended June 30, 2011. For the six months ended June 30, 2012, other cash operating costs as a percentage of revenue were 17.4% compared with 17.8% for the six months ended June 30, 2011.

Total interest expense for the three months ended June 30, 2012 was down $0.6 million (15.3%) at $3.3 million compared with $3.9 million for the three months ended June 30, 2011. Total interest expense for the six months ended June 30, 2012 was down $0.5 million (6.8%) at $6.9 million compared with $7.4 million for the six months ended June 30, 2011. Included in total interest expense for the three months ended June 30, 2012 was non-cash imputed interest expense of $0.5 million, up $0.1 million compared with $0.4 million for the three months ended June 30, 2011. For the six months ended June 30, 2012 the non-cash imputed interest expense was $1.0 million, up $0.2 million compared with $0.8 million for the six months ended June 30, 2011. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

Foreign exchange loss (gain) for the three months ended June 30, 2012 was a gain of $0.1 million compared with a loss of $0.1 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, there was a foreign exchange loss of $0.1 million compared to $0.3 million loss for the six months ended June 30, 2011. These foreign exchange gains and losses arose on the translation of certain foreign-denominated assets and liabilities held in the Company's Canadian subsidiaries. The Company works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended June 30, 2012 was down $0.1 million to $2.5 million compared with $2.6 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, amortization was down $0.2 million to $5.1 million compared with $5.3 million for the six months ended June 30, 2011.

Income taxes of the Company for three months ended June 30, 2012 were down $0.7 to $0.6 million compared with an expense of $1.3 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, income tax expense was down $3.8 million to $1.6 million compared with $5.4 million for the six months ended June 30, 2011. Current tax expense for the three months ended June 30, 2012 was down $0.5 million to $1.0 million, compared with an expense of $1.5 million for the three months ended June 30, 2011. For the six months ended June 30, 2012, current tax expense was down $1.1 million to $2.1 million compared to $3.2 million for the six months ended June 30, 2011. For the three months ended June 30, 2012, deferred tax recovery was $0.4 million as compared to a recovery of $0.3 million over the three month period ended June 30, 2011. For the six months ended June 30, 2012, deferred tax expense decreased by $2.8 million to a $0.6 million recovery from a deferred tax expense of $2.2 million for the six months ended June 30, 2011. The decrease in deferred tax in the first six months ended 2012 when compared to the first six months ended 2011 was due to a $3.1 million one-time tax charge on January 1, 2011 to revalue the Company's deferred taxes using the corporation's standard tax rate.

Net Earnings, Adjusted Net Earnings[1,2], and EBITDA[1]

Net earnings attributable to the owners of the Company of $4.3 million for the three months ended June 30, 2012 increased $1.2 million over the three months ended June 30, 2011. For the six months ended June 30, 2012 net earnings attributable to the owners of the Company of $7.0 million increased $3.9 million over the six months ended June 30, 2011. The results for the six months ended June 30, 2011 were impacted by the $3.1 million one-time non cash tax charge.

Adjusted Net Earnings[1,2] attributable to owners of the Company for the three months ended June 30, 2012 was $4.3 million or basic adjusted net earnings per share[1] of $0.2799 compared with $3.1 million or $0.2360 per share for the three months ended June 30, 2011. For the six months ended June 30, 2012, Adjusted Net Earnings[1,2] attributable to owners of the Company for the six months ended June 30, 2012 was $7.0 million or basic net earnings per share[1] of $0.4864 compared with $5.3 million or $0.4100 per share for the six months ended June 30, 2011.

EBITDA[1] for the three months ended June 30, 2012 was $12.0 million, down $0.7 million (5.5%) from $12.7 million for the three months ended June 30, 2011. EBITDA[1] for the six months ended June 30, 2012 was $23.4 million, equal to the $23.4 million for the six months ended June 30, 2011. As a percentage of revenue, EBITDA[1] for the three months ended June 30, 2012, was 13.6%, a decrease of 1.8% from the three months ended June 30, 2011 of 15.4%. As a percentage of revenue, EBITDA[1] for the six months ended June 30, 2012, was 13.4%, a decrease of 1.2% from the six months ended June 30, 2011 of 14.6%.

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(1) See "Definition of Adjusted Net Earnings, Adjusted Net Earnings per Share, EBITDA, Distributable Cash and Non-IFRS Measures"

(2) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three and six months ended June 30, 2012.

Distributable Cash[1]

in thousands of dollars	Three months ended June 30, 2012 (Unaudited)	Three months ended June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2011 (Unaudited)
EBITDA[1]	$ 12,028	$ 12,669	$ 23,431	$ 23,417
Add (deduct):				
Capital expenditures	(749)	(607)	(1,619)	(1,197)
Interest paid	(2,822)	(3,433)	(5,950)	(6,548)
Income taxes paid	(1,810)	(1,285)	(2,909)	(2,488)
Distributable cash[1]	$ 6,647	$ 7,344	$ 12,953	$ 13,184

Reconciliation of Distributable Cash[1] to Cash Flow from Operating Activities

in thousands of dollars except for per Share amounts and ratios	Three months ended June 30, 2012 (Unaudited)	Three months ended June 30, 2011 (Unaudited)	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2011 (Unaudited)
Cash flow used in operating activities	$ (818)	$ (17,437)	$ (10,940)	$ (14,312)
Less: Capital expenditures	(749)	(607)	(1,619)	(1,197)
Standardized distributable cash	$ (1,567)	$ (18,044)	$ (12,559)	$ (15,509)
Add (deduct):				
Change in non-cash operating working capital	7,277	23,372	22,988	24,589
Acquisition-related costs	32	402	240	620
Current income tax expense	1,047	1,548	2,137	3,200
Exchange (gain) loss	(142)	66	147	284
Distributable cash[1]	$ 6,647	$ 7,344	$ 12,953	$ 13,184
Weighted average basic and diluted distributable cash per Share[2]	$ 0.3184	$ 0.4081	$ 0.6671	$ 0.7335
Aggregate of dividends and Class B partnership distributions	$ 5,889	$ 5,814	$ 11,504	$ 10,723
Aggregate of dividends and Class B partnership distributions in per Share	$ 0.2820	$ 0.3231	$ 0.5925	$ 0.5965
Payout ratio	88.6%	79.2%	88.8%	81.3%

(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"
(2) Distributable cash per Share amounts is calculated by including both the common shares of the Company and the Class B partnership units in the denominator which is a non-IFRS measure.

In the first and second quarter of 2012, a dividend of $0.092 per Share was declared every month representing an annual dividend of $1.10 per Share. In addition to the above noted dividends to Shareholders, IBI Group Partnership makes a monthly distribution to the Class B partnership unitholders equal to the dividend per share (on a pre-tax basis) declared to each

Shareholder. The Class B unitholder distribution for the month of June 2012 was postponed to ensure that the limit of 100% payout ratio was respected. In 2011, the Class B unitholder distribution for the month of March 2011 was postponed as well. In 2011, the March distribution was paid evenly in the third and fourth quarter of 2011.

Liquidity and Capital Resources

The following table represents the working capital information as at June 30, 2012 compared to December 31, 2011:

in thousands of dollars	June 30, 2012 (Unaudited)	December 31, 2011	Change
Current assets	$ 278,861	$ 268,064	$ 10,797
Current liabilities	$ (71,447)	$ (91,229)	$ 19,782
Working capital	$ 207,414	$ 176,835	$ 30,579

Note: Working capital is calculated by subtracting current liabilities from current assets.

Current assets have increased by $10.8 million as at June 30, 2012 as compared with December 31, 2011. This is the result of the increase in accounts receivable of $9.0 million, increase in work in process of $5.6 million, a decrease in prepaid expenses and other assets of $1.8 million, a decrease in income tax recoverable of $0.3 million and a decrease in cash of $1.7 million. Current liabilities have decreased $19.8 million as at June 30, 2012 as compared with December 31, 2011. The $19.8 million decrease is the result of a $9.9 million decrease in accounts payable and accrued liabilities, a $1.4 million decrease in income tax payable, a $5.1 decrease in notes payable related to acquisitions, a decrease in deferred revenues of $2.4 million and a decrease of $1.0 million in dividends and distributions payable.

Working Capital measured in number of days of Gross Fee Revenue

The amount of working capital tied up in accounts receivable, work in process and deferred revenue is discussed under “Operating Highlights”.

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

The table below calculates working days measured as Days outstanding on Gross Billings which over the last two years has been approximately 25% greater than net IBI Fee volume.

Working days of gross billings outstanding	June 30, 2011 (Unaudited)	September 30, 2011 (Unaudited)	December 31, 2011 (Unaudited)	March 31, 2012 (Unaudited)	June 30, 2012 (Unaudited)
Accounts receivable	86	89	77	79	82
Work in process	65	69	68	70	71
Deferred revenue	(10)	(10)	(7)	(7)	(6)
Total	141	148	138	142	147

As indicated in the table above, significant progress was achieved in reducing the accounts receivable outstanding since September 30, 2011. Work in process outstanding increased, arising from increases in the number of projects and growth of fee volume in design-build and P3 projects, with extended time frames for payment. The table below illustrates the increase in accounts receivable since the first quarter of 2012 is in accounts outstanding less than 90 days. Accounts outstanding over 90 days as at the second quarter have decreased since the first quarter of 2012. As of the end of July, the accounts receivable was further reduced by the equivalent of one day.

Accounts Receivable Aging *in thousands of dollars*	March 31, 2012 (Unaudited)	%	June 30, 2012 (Unaudited)	%
Current	41,493	30	40,549	28
30 to 90 days	28,106	20	35,827	25
Over 90 days (net of allowance)	68,940	50	67,442	47
Total	138,539	100	143,818	100

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

in thousands of dollars	Three months ended June 30, 2012 (Unaudited)	Three months ended June 30, 2011 (Unaudited)	$ Change
Cash flows used in operating activities	(818)	(17,437)	16,619
Cash flows from financing activities	2,031	12,567	(10,536)
Cash flows used in investing activities	(749)	(607)	(142)

in thousands of dollars	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2011 (Unaudited)	$ Change
Cash flows used in operating activities	(10,940)	(14,312)	3,372
Cash flows from financing activities	10,897	24,403	(13,506)
Cash flows used in investing activities	(1,619)	(8,605)	6,986

Cash flow used in operations for the three months ended June 30, 2012 was $0.8 million compared to cash flow used in operations of $17.4 million for the three months ended June 30, 2011 for a net change of $16.6 million. For the six months ended June 30, 2012, cash used in operations was $10.9 million. This compares to cash used in operations of $14.3 million for the six months ended June 30, 2011 for a net change of $3.4 million. Cash used in operations is due to changes in net working capital resulting from the increase of accounts receivable and work in process. These increases result from significant increases in the number of projects, the fee volume of projects and the increase in the number of projects that are Design Build and Design, Build and Finance (P3). Working capital also increased as a result of a decrease in accounts payable.

Cash flows from financing activities for the three months ended June 30, 2012 was $2.0 million compared with $12.6 million for the three months ended June 30, 2011. The decrease in cash from financing activities from the three months ended June 30, 2011 is primarily due to issuance of shares, namely net proceeds of $38.4 million for the issuance of shares to the public, repayment of $27.0 million of long term debt, $7.6 million of dividends and distribution paid and $1.8 million paid for acquisition on outstanding acquisition notes. For the six months ended June 30, 2012, cash flows from financing activities were $10.9 million compared to $24.4 million for the six months ended June 30, 2011.

Cash flows used in investing activities for the three months ended June 30, 2012 were $0.7 million as compared to cash flows used in investing activities of $0.6 million for the three months ended June 30, 2011. Capital expenditures during the three months ended June 30, 2012 were $0.7 million compared with expenditures of $0.6 million for the same period in 2011. For the six months ended June 30, 2012, cash flows used in investing activities were $1.6 million as compared to $8.6 million for the six months ended June 30, 2011. Capital expenditures during the six months ended June 30, 2012 were $1.6 million compared with $1.2 million for the same period in 2011. Cash paid on acquisitions for the six months ended June 30, 2011 were $7.4 million.

On April 20, 2012 the Company issued 2,700,000 common shares on a bought deal basis at a price of $15.00 per Share to a syndicate of underwriters for gross proceeds of $40.5 million.

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

Concurrent with the Offering, the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to the Management

Partnership in full satisfaction of $10.0 million of indebtedness owed by the Company to the Management Partnership.

On July 29, 2011, the company closed a new 5 year $120.0 million credit facility (the "Revolver Facility") with an $80.0 million accordion feature. This reflects the policy of the Company to use bank debt for operating purposes and for interim financing for acquisitions. The availability of each of the credit facilities is subject to compliance with certain financial and other covenants. The credit facilities are expected to provide sufficient capital resources through which the business can continue to grow organically as well as providing for improved flexibility in the financing of future acquisitions over the terms of the facilities. See "Forward Looking Statements and Risk Factors". The credit facilities mature on July 29, 2016.

The new credit facility is a revolving facility to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at June 30, 2012, IBI Group had borrowings of $67.0 million under the Revolver Facility, compared with $77.9 million as at December 31, 2011.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 million continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at June 30, 2012, IBI Group had issued bid bonds in the amount of $4.5 million (December 31, 2011 – $4.4 million) under the Bid Bond Facility.

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

The Company's objective in managing capital is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of long-term debt and shareholders' equity.

The Company seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. The Company has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Company will then raise equity through a public offering, using the proceeds to reduce the bank debt. The Company is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio, payout ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at June 30, 2012, December 31, 2011, and June 30, 2011 the Company was in compliance with all covenants under its credit facilities.

Summary of Quarterly Results

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

in thousands of dollars except for per Unit and per Share amounts and ratios (unaudited)	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010	3rd Qtr 2010
Revenue	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301	$ 77,785	$ 75,615	$ 76,625
Net Earnings (Loss) [4]	5,680	3,733	4,165	4,242	4,247	1	18,045	(16,312)
Changes in fair value and other Finance Costs	41	59	313	357	187	(66)	(13,287)	20,541
Interest expense, net[4]	3,310	3,603	3,867	4,002	3,879	3,503	3,305	3,113
Income taxes expense (recovery)	602	952	3	1,006	1,285	4,145	(1,241)	972
Amortization of property and equipment and intangible assets	2,505	2,559	3,467	2,664	2,603	2,729	2,633	2,885
Acquisition-related costs	32	208	416	534	402	218	182	57
Foreign exchange loss (gain)	(142)	289	(15)	77	66	218	250	131
Purchase price adjustment	-	-	-	-	-	-	1,551	-
Earnings before income taxes, interest and amortization (EBITDA[1])	12,028	11,403	12,216	12,882	12,669	10,748	11,438	11,387
EBITDA[1] as a percentage of Revenue	13.6%	13.1%	13.9%	15.3%	15.4%	13.8%	15.1%	14.9%
Distributable Cash[1] reconciliation								
Cash flow from (used in) operating activities	(818)	(10,122)	9,795	2,045	(17,437)	3,125	7,485	3,463
Less capital expenditures	(749)	(870)	(1,065)	(775)	(607)	(590)	(448)	(552)
Standardized Distributable Cash[1]	(1,567)	(10,992)	8,730	1,270	(18,044)	2,535	7,037	2,911
Add (deduct):								
Change in non-cash operating working capital	7,277	15,711	(3,054)	4,776	23,372	1,217	(1,290)	2,306
Acquisition-related costs	32	208	416	534	402	218	1,733	57
Current income tax expense (recovery)	1,047	1,090	426	1,503	1,548	1,652	(507)	1,959
Foreign exchange loss (gain)	(142)	289	(15)	77	66	218	250	131
Distributable Cash[1]	6,647	6,306	6,503	8,160	7,344	5,840	7,223	7,364
Basic and diluted Distributable Cash per Share and Partnership Unit in 2011 and Units in 2010[2]	0.3184	0.3487	0.3608	0.4530	0.4081	0.3253	0.4027	0.4111
Basic and diluted aggregate dividends declared per Share in 2011 and per Unit in 2010	0.2820	0.3105	0.3230	0.3229	0.3231	0.2734	0.3999	0.3999
Payout ratio	88.6%	89.0%	89.5%	71.3%	79.2%	84.1%	99.3%	97.3%
Basic Adjusted Net Earnings per Share in 2011 and per Unit in 2010[3,4]	0.2799	0.2065	0.2311	0.2355	0.2360	0.2423	0.2700	0.2437
Personnel – average	2,925	2,900	2,899	2,806	2,685	2,579	2,502	2,558
Personnel – quarter end	2,950	2,899	2,901	2,843	2,764	2,592	2,484	2,534

(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"

(2) Distributable cash per Share amounts (units in 2010) are calculated by including both the common shares of the Company and the Class B partnership units in the denominator in 2011 and the Units of the Fund and the Class B partnership units of the Fund in 2010 which is a non-IFRS measure.

(3) Basic Adjusted Net Earnings per Share (Units in 2010) are calculated by including Common shares of the Company in 2011 and Units of Fund in 2010 which are non-IFRS measures.

(4) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest. See Note 13 of the unaudited interim condensed financial statements for the three months and six months ended June 30, 2012.

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 (management compensation) for the services of the 91 partners of the Management Partnership. This amount was $6.2 million for the three months ended June 30, 2012 (three months ended June 30, 2011 - $5.4 million) and $12.3 million for the six months ended June 30, 2012 (six months ended June 30, 2011 - $10.6 million)

- IBI Group makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each common shareholder. The Class B partnership unitholders are the partners of the Management Partnership. As at June 30, 2012 there were no amounts of distributions payable to the Management Partnership due the postponement of the June distribution. (As at June 30, 2011 - $1.6 million). During the first quarter of 2010, 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 indebtedness to its bank lender and is unsecured. The loan matures three years following the original issuance of the promissory note evidencing the loans. In February 2011, IBI Group repaid $6.0 million of the advance, with a balance of $20.0 million remaining of the advance. On April 20, 2012 the Company completed, on a non-brokered private placement basis, the issuance of 667,000 Shares at $15.00 per Share to IBI Group Management Partnership in full satisfaction of $10 million of indebtedness owed by the Company to the Management Partnership.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As required by Multilateral Instrument 52-109, 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 annual filings. As part of certification, the CEO and CFO must certify that they are responsible for establishing and maintaining disclosure controls and procedures for the Company to provide reasonable assurance that material information about the Company and its subsidiaries is made known to them and that they have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings.

Disclosure controls and procedures are designed to ensure 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.

There were no changes in the Company's internal control over financial reporting during the second quarter of 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Critical Accounting Estimates

Detailed descriptions of the Critical Accounting Estimates are included in the Critical Accounting Estimates section of the MD&A in the Company's 2011 Annual Report.

Accounting Developments

Recently issued but not yet adopted accounting pronouncements:

- **Annual Improvements to IFRSs 2009-2011 Cycle – various standards**

  In May 2012, the IASB published *Annual Improvements to IFRSs* – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. These amendments are effective for annual periods beginning on or after Jan 1, 2013 with retrospective application.

  The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

- **Presentation of Financial Statements**

  In June 2011 the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

- **Consolidated Financial Statements**

  In May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.

  The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

- **IFRS 11 Joint Arrangements**

  In May 2011 the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.

  The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

- **Disclosure of Interests in Other Entities**

  In May 2011 the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies some of the requirements of this Standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.

  The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

- **Investments in Associates and Joint Ventures**

  In May 2011 the IASB issued *Amendments to IAS 28 Investments in Associates and Joint Ventures*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) at the same time.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to IAS 28 to have a material impact on the financial statements.

- **Other Comprehensive Income ("OCI")**

  In June 2011 the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.

  The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

- **Fair Value Measurement**

  In May 2011 the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

  The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

- **Financial Instruments**

  In November 2009 the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.

  The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

Forward Looking Statements and Risk Factors

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group (collectively, the "Company"), or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Company; (viii) risk of future legal proceedings against the Company; (ix) the international operations of the Company; (x) reduction in the Company's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) increased assumption by risk by the Company; (xv) limits under the Company's insurance policies; (xvi) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company's subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company's performance; (xx) the possibility that the Company may issue additional Common Shares diluting existing Shareholders' interests; and (xxi) income tax matters. 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, 2011. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures

Adjusted Net Earnings is equal to the Net Earnings for the period plus a one time non-cash adjustment on conversion to a corporation for 2011.

Distributable cash is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines distributable cash as cash flow from operating activities before change in non-cash operating working capital, interest paid, income tax expense, acquisition-related costs, foreign exchange losses and after capital expenditures, foreign exchange gains, interest recovered, and income tax recovery, where applicable. Reconciliations of distributable cash to cash flow from operating activities have been provided under the headings "Distributable Cash" and "Summary of Quarterly Results".

The Company's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. Management of the Company believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Common Shares.

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