MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes ("financial statements") of IBI Group Inc. (the "Company") for the three months ended March 31, 2013.

This MD&A is dated as of May 9, 2013. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2012, 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.

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

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

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

The Company is entirely dependent upon the operations and assets of the IBI Group Partnership in which it indirectly holds 17,131,416 Class A partnership units, representing 77.3% 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 IBI Group, representing the remaining 22.7% 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 and are controlled by a person who controls a partner of the Management Partnership) together hold 4,179,059 shares of the Company. These interests represent an interest of approximately 41.5% in the Company on a partially diluted basis, assuming the exchange of the Class B Units for shares of the Company. There are 17,131,416 shares issued and outstanding as at March 31, 2013 (22,157,194 shares issued and outstanding on a partially-diluted basis).

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol "IBG".

Update on Recovery Plan

The recession that commenced in the fourth quarter of 2008, and its impact on the economies of the United States and Europe, impaired IBI Group initially in the housing sector, in which IBI had relatively high exposure, and subsequently in IBI projects in social and transportation infrastructure. Europe continues to contract, recovery in the United States is encouraging but tentative, and a slowdown is being indicated in the Canadian economy.

While IBI recorded its highest annual revenue in 2012, the percentage of compensation costs to revenue also increased resulting in downward pressure on operating margins. Additionally, the conversion of revenue to cash slowed, resulting in higher working capital and debt levels. IBI Group, however, continues to move forward with its recovery program initiated in the second half of 2012.

The recovery plan is a series of actions to enhance profitability and to improve billings and collections, which will lead to a reduction of working capital and debt. The recovery plan was outlined in full in the 2012 year end reporting.

During the first quarter of 2013, IBI continued action on the recovery plan including:

1. Aligning staff levels with levels of committed work. At the end of first quarter of 2013 staff members numbered 2,814 compared to 2,852 at the end of 2012 for a decrease of 38 staff members or a 1.3% reduction of staff. This represents a savings of approximately $2.5 million per annum. The process is continuing in the second quarter of 2013 in an orderly fashion, to ensure the firm's ability to perform work for its clients and to achieve higher productivity.

2. Improved cash generation. Cash used in operations in the first quarter of 2013 was a significant improvement of $6.4 million over the first quarter of 2012. The cash used in operations for the first quarter of 2013 would have been even lower had it not been for the dampening impact of the timing of contract billings (fees collectible at completion of

certain events only). Management is committed to sustaining this trend over the ensuing quarters.

Operating Highlights

The results for the first quarter ended March 31, 2013 are based on 61 available working days, which is two days less than both the average quarter and the first quarter of 2012, each being 63 days. The impact on the results of an extra two working days would be $2.8 million of revenue, based on the average revenue achieved in the quarter ended March 31, 2013. Operating costs are assumed to remain constant since these are monthly costs not dependent on number of working days. Accordingly, the actual results and the results normalized[1] to an average quarter are presented. Comparisons to the 2012 fourth quarter results are to the adjusted figures after the $16 million adjustment items for the year 2012. The highlights are presented in the table below:

	Actual Q1 2013 *(unaudited)*	Normalized[1] Q1 2013 *(unaudited)*	Actual Q1 2012 *(unaudited)*	Adjusted Q4 2012 *(unaudited)*	Actual Q1 2013 vs. Actual Q1 2012	Normalized[1] Q1 2013 vs. Actual Q1 2012	Actual Q1 2013 vs. Adjusted Q4 2012	Normalized[1] Q1 2013 vs. Adjusted Q4 2012
Number of workings days	61	63	63	63	(2)	-	(2)	-
Revenue	$ 84,599	$ 87,373	$ 86,896	$ 88,064	$ (2,297)	$ 477	$ (3,465)	$ (691)
Net earnings	$ 656	$ 2,856	$ 3,733	$ 258	$ (3,077)	$ (877)	$ 398	$ 2,598
Basic and diluted earnings per share ("EPS")[1]	$ 0.0298	$ 0.1299	$ 0.2065	$ 0.0118	$ (0.1767)	$ (0.0766)	$ 0.0180	$ 0.1181
EBITDA[1]	$ 7,300	$ 10,074	$ 11,403	$ 10,488	$ (4,103)	$ (1,329)	$ (3,188)	$ (414)
EBITDA[1] as a percentage of revenue	8.6%	11.5%	13.1%	11.9%	(4.5%)	(1.6%)	(3.3%)	(0.4%)
Distributable cash[1]	$ 2,873	$ 5,647	$ 6,306	$ 5,127	$ (3,433)	$ (659)	$ (2,254)	$ 520
Payout ratio[1]	80.6%	41.0%	89.0%	83.9%	(8.4%)	(48.0%)	(3.3%)	(42.9%)
Cash used in operations	$ (3,708)	$ (1,508)	$ (10,122)	$ 1,456	$ 6,414	$ 8,614	$ (5,164)	$ (2,964)

IBI reports the working capital tied up (accounts receivable, work in process and deferred revenue) in terms of gross billings per day. The current level of the working capital tied up measured in gross billings is 143 days at March 31, 2013. The total increase of four days compared to December 31, 2012 is comprised of a two day reduction in accounts receivable, a seven day increase in unbilled work in process and a one day increase in deferred revenue. The seven day increase in unbilled work in process is due to the contract timing for billing of work in process on projects that are milestone based. In fact, billings exceeded work in process in the month of March reversing the trend of increasing work in process.

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

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

Organic growth is the core of IBI Group's long term growth. For 2013 IBI Group is forecasting 3% growth from organic growth and strategic growth contributed from the 2012 acquisitions.

IBI Group has grown via strategic growth from acquisitions, to advance the Company in reaching the base global platform and to strengthen areas of expertise. In the third quarter of 2012 IBI Group acquired the practice of Taylor Young Limited Architects and Master Planners ("Taylor Young") now continuing as IBI Taylor Young. In the fourth quarter of 2012 IBI Group acquired the practice of M•E Companies, Inc. ("M•E Companies") now continuing as M•E/IBI Group. IBI Group continues 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 US and other markets.

IBI Group will continue to pursue work directly on behalf of the owners in what is commonly termed the "conventional" method; as well as in the new methods of delivery: Design Build ("DB") and Private Finance Initiative ("PFI"), and/or Public Private Partnerships ("P3").

Now that IBI Group has established the base global platform, the continuing emphasis will be primarily on organic growth. 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 2013, to 113 partners and associate partners, including the election of a net additional 22 over the 91 partners at the end of 2012. These partners are compensated through management compensation, and receive dividends and distributions through their ownership interests in 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 113 partners, as of May 9, 2013, has grown to a scale that requires the clustering of the partners within geographic regions and/or functional areas of excellence to perform effectively. The top leadership of the Management Partnership consists of the chairman partner and CEO, the two managing partners, and five operating partners forming an executive group of 8 senior partners. Four of the five operating partners 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, additional operating partners will be appointed. The exposure to the full range of activities of the firm to this executive level will provide both experience and continuity in the leadership of the firm.

The two managing partners, Scott Stewart and David Thom, have now been appointed to the positions of Co-Presidents and Co-COO's. This will further strengthen the corporate management group for more effective business performance.

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 alliances. This growth process, which has now been largely accomplished in Canada, continues in the United States. IBI will similarly consider alliances in other international markets including Mexico, China, India, Eastern Europe/Middle East, and South Africa. Similarly to Canada, the United States, and the UK, the long-term growth in these emerging markets for IBI will be based on continuing organic growth with some strategic growth in the future to accelerate the pace. In the longer term, that will place IBI in a sustainable model of generating additional net fee revenues, 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.

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 worldwide 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;
- Global Platform;
- Public/Private Clients;
- Diversity of Clientele.

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

- IBI has ten months of committed fee volume for the ensuing twelve months. (This is calculated on the basis of the current pace of work that IBI Group has achieved during the last twelve months ended March 31, 2013.) Backlog for government and public institutional clients now represents approximately 65% 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 numerous projects now moving into design development and working drawings as projects proceed to realization;

- IBI Group's committed backlog is approximately 17% of fee volume for projects outside of North America, 23% in the United States and 60% in Canada which is generally consistent with the distribution of revenue earned in the prior year; and

- This backlog of committed work is being achieved throughout IBI's network; however the amount of work in certain operating units is insufficient for the current level of staffing and, as noted above, management is working conscientiously to realign staff resources to committed work.

- IBI practice in Canada continues to be very strong and is growing geographically, with new areas of practice, such as the establishment of IBI Group Architects in Halifax, which has emerged through organic growth this past year. IBI is also intensifying skills in certain functional areas such as transportation engineering. IBI is successfully increasing its backlog of new work in major urban areas in which IBI practices. However, real estate and other physical development activity is slowing. As a result, competition is increasingly intensive, and IBI activity is being affected in smaller urban areas.

- IBI practice in the United States is experiencing some encouraging growth in private sector real estate development and in intelligent system work. However, projects for state and local governments are lacking in funding and are subject to greater competition. While the prospects for future activity are encouraging in the Unites States, there remain challenges in the current environment.

- IBI practice in the UK has slowed as a result of the third consecutive quarter of contraction of national economic activity. Notwithstanding, IBI is competing for major projects that continue to be sponsored by governments for social needs and for economic stimulus.

- IBI's activity in other international markets is increasing and provides encouraging prospects.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended March 31, 2013 (unaudited)	Normalization[1]	Normalize Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (unaudited)
Revenue	$ 84,599	$ 2,774	$ 87,373	$ 86,896
Expenses				
Salaries, fees and employee benefits	61,505	-	61,505	60,551
Other operating costs (other than interest)[1]	15,848	-	15,848	15,047
Other finance costs	151	-	151	103
Acquisition-related costs included in other operating costs	(205)	-	(205)	(208)
	77,299	-	77,299	75,493
Earnings before income taxes, interest and amortization (EBITDA)[1]	7,300	2,774	10,074	11,403
Interest	3,382	-	3,382	3,603
Change in fair value of financial instruments and other finance costs[1]	69	-	69	59
Income taxes – current	1,113	574	1,687	1,090
Income taxes – deferred	(344)	-	(344)	(138)
Amortization of property, equipment and intangible assets	2,354	-	2,354	2,559
Foreign exchange loss	(135)	-	(135)	289
Acquisition-related costs	205	-	205	208
Net earnings	656	2,200	2,856	3,733
Non-controlling interest	151	506	657	1,037
Net earnings attributable to the owners	505	1,694	2,199	2,696
Basic and diluted net earnings per share[1]	$ 0.0298	$ 0.1001	$ 0.1299	$ 0.2065
Total assets	$ 476,373	$ -	$ 476,373	$ 484,513

(1) See "Definition of Non-IFRS Measures"

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 March 31, 2013, revenue was down $2.3 million (2.6%) to $84.6 million compared to $86.9 million for the three months ended March 31, 2012.

The following table summarizes the impact of the strategic growth through acquisition and the organic growth for the three months ended March 31, 2013.

	Actual Revenue		Normalized[1] Revenue	
	$ million	%	$ million	%
Revenue March 31, 2012	86.9		86.9	
Strategic growth	4.2	4.9	4.4	5.0
Organic growth	(6.8)	(7.8)	(4.2)	(4.8)
Total growth before foreign exchange	(2.6)	(2.9)	0.2	0.2
Impact of foreign exchange	0.3	0.3	0.3	0.3
Revenue March 31, 2013	84.6	(2.6)	87.4	0.5

Revenue from strategic growth through acquisitions/mergers was approximately $4.2 million (4.9%) for the three months ended March 31, 2013. This strategic growth was generated through additional revenues resulting from the acquisition/merger of Taylor Young in the third quarter of 2012 and M•E Companies Inc. in the fourth quarter of 2012. Organic growth for the three months ended March 31, 2013 was down $6.8 million (7.8%) compared to the three months ended March 31, 2012. 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.

Expenses

Salaries, fees and employee benefits for the three months ended March 31, 2013 were up $0.9 million (1.6%) to $61.5 million compared to $60.6 million for the three months ended March 31, 2012. This increase was the result of the growth in staff levels due to the acquisitions made in the latter half of 2012 and compensation increases. Salaries, fees and employee benefits as a percentage of revenue for the three months ended March 31, 2013 were 72.7% (70.4% normalized[1]) compared to 69.7% for the three months ended March 31, 2012. IBI Group will strive to improve this percentage with increased productivity to seek to achieve the target range of 64% to 65%.

Other operating costs (other than interest)[1] for the three months ended March 31, 2013 were up $0.8 million (5.3%) at $15.8 million compared to $15.0 million for the three months ended March 31, 2012. This increase was the result of the acquisitions made in the latter half of 2012. As a percentage of revenues, other operating costs (other than interest)[1] for the three months ended March 31, 2013 were 18.7% (18.1% normalized[1]) compared with 17.3% for the three months ended March 31, 2012.

Total interest expense for the three months ended March 31, 2013 was down $0.2 million (6.1%) at $3.4 million compared to $3.6 million for the three months ended March 31, 2012. Included in total interest expense for the three months ended March 31, 2013 was non-cash imputed interest expense of $0.5 million, consistent with $0.5 million for the three months ended March 31, 2012. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

Foreign exchange loss for the three months ended March 31, 2013 was a gain of $0.1 million compared to a loss of $0.3 million for the three months ended March 31, 2012. 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

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

exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended March 31, 2013 was down $0.2 million to $2.4 million compared to $2.6 million for the three months ended March 31, 2012. Amortization for the three months ended March 31, 2013 on client relationships, contracts, non-competition provisions and development costs was $1.7 million compared to $1.8 million for the three months ended March 31, 2012.

Income taxes of the Company for the three months ended March 31, 2013 decreased $0.2 million to $0.8 million compared to the three months ended March 31, 2012. Current tax expense for the three months ended March 31, 2013 was an expense of $1.1 million, no change from the three months ended March 31, 2012. For the three months ended March 31, 2013, deferred tax recovery was $0.3 million as compared to a deferred tax recovery of $0.1 million over the three month period ended March 31, 2012.

Net Earnings, Net Earnings Attributable to the Owners and EBITDA[1]

Net earnings of the Company for the three months ended March 31, 2013 decreased $3.0 million ($0.8 million normalized[1]) to $0.7 million ($2.9 million normalized[1]) compared to $3.7 for the three months ended March 31, 2012.

Net earnings attributable to owners of the Company for the three months ended March 31, 2013 was $0.5 million ($2.2 million normalized[1]) or basic and diluted EPS[1] of $0.0298 ($0.1299 normalized[1]) compared to $2.7 million or $0.2065 per share for the three months ended March 31, 2012.

EBITDA[1] for the three months ended March 31, 2013 was $7.3 million ($10.1 million normalized[1]), down $4.1 million (1.3 million normalized[1]) from $11.4 million for the three months ended March 31, 2012. As a percentage of revenue, EBITDA[1] for the three months ended March 31, 2013, was 8.6% (11.5% normalized[1]), a decrease of 4.5% (a decrease of 1.6% normalized[1]) from the three months ended March 31, 2012 of 13.1%.

Distributable Cash[1]

in thousands of dollars	Three months ended March 31, 2013 (unaudited)	Normalization[1]	Normalized Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (unaudited)
EBITDA[1]	$ 7,300	$ 2,774	$ 10,074	$ 11,403
(Deduct):				
Capital expenditures	(456)	-	(456)	(870)
Interest paid	(2,862)	-	(2,862)	(3,128)
Income taxes paid	(1,109)	-	(1,109)	(1,099)
Distributable cash[1]	$ 2,873	$ 2,774	$ 5,647	$ 6,306

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

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 March 31, 2013 (unaudited)	Normalization[1]	Normalized[1] Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (unaudited)
Cash flow from (used in) operating activities	$ (3,708)	$ 2,200	$ (1,508)	$ (10,122)
Less: Capital expenditures	(456)	-	(456)	(870)
Standardized distributable cash[1]	$ (4,164)	$ 2,200	$ (1,964)	$ (10,992)
Add (deduct):				
Change in non-cash operating working capital	5,854	-	5,854	15,711
Acquisition-related costs	205	-	205	208
Current income tax expense	1,113	574	1,687	1,090
Foreign exchange loss	(135)	-	(135)	289
Distributable cash[1]	$ 2,873	$ 2,774	$ 5,647	$ 6,306
Weighted average basic and diluted distributable cash per share[2]	$ 0.1312	$ 0.1266	$ 0.2578	$ 0.3487
Aggregate of dividends and Class B partnership distributions	$ 2,316	$ -	$ 2,316	$ 5,615
Dividends and Class B partnership distributions issued under DRIP	-	-	-	-
Net dividends and Class B partnership distributions	$ 2,316	$ -	$ 2,316	$ 5,615
Aggregate of dividends and Class B partnership distributions per share	$ 0.1057	$ -	$ 0.1057	$ 0.3105
Payout ratio[1]	80.6%		41.0%	89.0%

(1) See "Definition of 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 quarter of 2013, a dividend of $0.1375 per share was paid March 31, 2013 representing $0.046 per share per month ($0.092 per month for the first quarter of 2012) and an annual dividend of $0.55 per share ($1.10 for 2012). In addition to the above noted dividends to Shareholders, IBI Group Partnership makes a quarterly distribution to the Class B partnership unitholders equal to the dividend per share (on a pre-tax basis) declared to each Shareholder.

Liquidity and Capital Resources

The following table represents the working capital information as at March 31, 2013 compared to December 31, 2012:

in thousands of dollars	March 31, 2013 *(unaudited)*	December 31, 2012	Change
Current assets	277,046	$ 266,293	10,753
Current liabilities	(85,127)	$ (77,502)	(7,625)
Working capital	191,919	$ 188,791	3,128

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

Current assets have increased by $10.8 million as at March 31, 2013 as compared with December 31, 2012. This is the result of an increase in cash and cash equivalents of $3.0 million, a decrease in accounts receivable of $3.1 million, an increase in work in process of $12.5 million, a decrease in prepaid expenses and other assets of $1.2 million and a decrease in income tax recoverable of $0.4 million. Current liabilities have increased by $7.6 million as at March 31, 2013 as compared with December 31, 2012. The decrease in current liabilities was comprised of a decrease in bank indebtedness of $0.6 million, a decrease in accounts payable and accrued liabilities of $1.1 million, no change in income tax payable, a decrease in notes payable related to acquisitions of $2.9 million, an increase in deferred revenues of $2.2 million and the reclassification of due to related parties from non-current to current liabilities of $10.0 million, as compared to December 31, 2012.

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	March 31, 2012 (unaudited)	June 30, 2012 (unaudited)	September 30, 2012 (unaudited)	December 31, 2012	March 31, 2013 (unaudited)
Accounts receivable	79	82	77	80	78
Work in process	70	71	75	65	72
Deferred revenue	(7)	(6)	(5)	(6)	(7)
Total	142	147	147	139	143

Working days of gross billings outstanding in accounts receivable as at March 31, 2013 has decreased by 2 days as compared to December 31, 2012. Work in process outstanding at March 31, 2013 has increased 7 days compared to December 31, 2012, arising from increases in the number of projects and growth of fee volume in design-build and P3 projects, with extended time frames for billing and payment. The table below illustrates the increase in accounts receivable since the first quarter of 2012 in accounts outstanding less than 90 days.

Accounts receivable aging *in thousands of dollars*	March 31, 2012 (unaudited)	%	June 30, 2012 (unaudited)	%	September 30, 2012 (unaudited)	%	December 31, 2012	%	March 31, 2013 (unaudited)	%
Current	41,493	30	40,549	28	44,577	33	46,707	33	36,851	26
30 to 90 days	28,106	20	35,827	25	30,917	22	36,929	26	37,327	27
Over 90 days (net of allowance)	68,940	50	67,442	47	60,944	45	58,532	41	64,887	47
Total	138,539	100	143,818	100	136,438	100	142,168	100	139,065	100

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

in thousands of dollars	Three months ended March 31, 2013	Three months ended March 31, 2012	$ Change
Cash flows (used in) operating activities	(3,708)	(10,122)	6,414
Cash flows from financing activities	7,280	8,866	(1,586)
Cash flows (used in) investing activities	(456)	(870)	414

Cash flows used in operations for the three months ended March 31, 2013 were $3.7 million compared to cash flows used in operations of $10.1 million for the three months ended March 31, 2012; for a net change of $6.4 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 March 31, 2013 were $7.3 million compared with $8.9 million from financing activities for the three months ended March 31, 2012.

Cash flows used in investing activities for the three months ended March 31, 2013 were $0.5 million as compared to cash used in investing activities of $0.9 million for the three months ended March 31, 2012. Capital expenditures during the three months ended March 31, 2013 were $0.5 million compared with expenditures of $0.9 million for the same period in 2012.

The Company has a revolving credit facility ("Revolver 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 of amounts owing on acquisitions and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at March 31, 2013, IBI Group had borrowings of $85.5 million under the Revolver Facility, compared with $73.9 million as at December 31, 2012. The company had $34.5 million of unutilized credit available under the Revolver Facility, compared with $42.2 million as at December 31, 2012.

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 to meet certain project requirements calling for the issuance of bid bonds to international customers. As at March 31, 2013, IBI Group had issued bid bonds in the amount of $3.9 million (December 31, 2012 – $3.9 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 credit facility 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[1] ratio, fixed charge coverage ratio and payout ratio[1]. 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. The loan contains a debt covenant stating that at the end of each quarter IBI Group's fixed charge coverage ratio (in the covenant defined as the IBI Group's earnings before interest, tax and depreciation plus rent less capital expenditures less income taxes paid less distributions divided by rent plus cash interest) cannot be less than 1.05 for the period ending December 31, 2012, 1.0 times for the period ending March 31, 2013 and 1.1 thereafter. For the period ending December 31, 2012 the banking syndicate agreed to an adjustment of $16 million to EBITDA[1] for the purpose of the fixed charge covenant calculation.

Non-current Liabilities

Total non-current liabilities were $207.9 million as at March 31, 2013 compared to $206.4 million as at December 31, 2012.

Contractual Obligations

As part of continuing operations, the Company enters into long term contractual obligations from time to time. The table below summarizes the contractual obligations due on credit facilities, convertible debentures, operating lease commitments, notes payable and amounts due to related parties as of March 31, 2013:

in millions of dollars	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Credit facility	$ 85.5	$ -	$ -	$ 85.5	$ -
Interest on credit facility	10.8	3.4	6.8	0.6	-
Convertible debentures	123.5	-	46.0	20.0	57.5
Interest on convertible debentures	29.7	7.8	11.6	8.6	1.7
Operating leases	104.9	22.2	38.6	25.5	18.6
Notes payable	13.5	11.1	2.4	-	-
Due to related party	10.0	10.0	-	-	-
Total Contractual Obligations	$ 377.9	$ 54.5	$ 105.4	$ 140.2	$ 77.8

For further information regarding the nature and repayment terms of the credit facility and convertible debentures, refer to Note 6 of the audited consolidated financial statements for the year ended December 31, 2012.

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

Summary of Quarterly Results

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

in thousands of dollars except for per unit and per share amounts and ratios (unaudited)	1st Qtr 2013	4th Qtr 2012	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011
Revenue	$ 84,599	$ 75,464	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301
Adjustment items	-	12,600	-	-	-	-	-	-
Adjusted revenue	$ 84,599	$ 88,064	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301
Net earnings	656	(26,528)	2,704	5,680	3,733	4,165	4,242	4,247
Changes in fair value and other finance costs	69	(236)	17	41	59	313	357	187
Interest expense, net[4]	3,382	3,328	3,337	3,310	3,603	3,867	4,002	3,879
Income tax expense (recovery)	769	(3,082)	34	602	952	3	1,006	1,285
Amortization of property, equipment and intangible assets	2,354	5,896	2,519	2,505	2,559	3,467	2,664	2,603
Acquisition-related costs	205	406	434	32	208	416	534	402
Foreign exchange loss (gain)	(135)	221	357	(142)	289	(15)	77	66
Impairment of goodwill	-	14,483	-	-	-	-	-	-
Adjustment items	-	16,000	-	-	-	-	-	-
Adjusted earnings before income taxes, interest and amortization (Adjusted EBITDA[1])	7,300	10,488	9,402	12,028	11,403	12,216	12,882	12,669
Adjusted EBITDA[1] as a percentage of revenue	8.6%	11.9%	10.8%	13.6%	13.1%	13.9%	15.3%	15.4%
Distributable cash reconciliation								
Cash flow from (used in) operating activities	(3,708)	1,456	6,000	(818)	(10,122)	7,431	2,045	(17,437)
Less capital expenditures	(456)	(721)	(536)	(749)	(870)	(1,065)	(775)	(607)
Standardized distributable cash[1]	(4,164)	735	5,464	(1,567)	(10,992)	6,366	1,270	(18,044)
Add (deduct):								
Change in non-cash operating working capital	5,854	(12,770)	(1,900)	7,277	15,711	(691)	4,776	23,372
Acquisition-related costs	205	406	435	32	208	416	534	402
Current income tax expense (recovery)	1,113	535	512	1,047	1,090	427	1,503	1,548
Foreign exchange gain (loss)	(135)	221	357	(142)	289	(15)	77	66
Adjustment items	-	16,000	-	-	-	-	-	-
Distributable cash	2,873	5,127	4,868	6,647	6,306	6,503	8,160	7,344
Basic and diluted adjusted distributable cash per share and partnership unit[2]	0.1312	0.2346	0.2252	0.3184	0.3487	0.3608	0.4530	0.4081
Basic and diluted aggregate dividends per share	0.1057	0.1969	0.2127	0.2820	0.3105	0.3230	0.3229	0.3231
Payout ratio[1]	80.6%	83.9%	94.5%	88.6%	89.0%	89.5%	71.3%	79.2%
Basic adjusted net earnings per share[3,4]	0.0298	0.0118	0.1250	0.2799	0.2065	0.2311	0.2355	0.2360
Personnel – average	2,833	2,873	2,944	2,925	2,900	2,899	2,806	2,685
Personnel – quarter end	2,814	2,852	2,926	2,950	2,899	2,901	2,843	2,764

(1) See “Definition of Non-IFRS Measures”

(2) Distributable cash per share amounts are 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.

(3) Basic adjusted net earnings per share are calculated by including common shares of the Company which is a non-IFRS measure.

(4) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest.

Transactions with Related Parties

- Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, IBI Income Fund, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation (management compensation) for the services of the 113 partners of the Management Partnership. This amount was $6.9 million for the three months ended March 31, 2013 (three months ended March 31, 2012 - $6.2 million).

- IBI Group makes a monthly distribution on Class B partnership unit equal to the dividend per share (on a pre-tax basis) declared to each common shareholder. All of the Class B partnership units are held by the Management Partnership. As at March 31, 2013 there were $1.3 million distributions payable to the Management Partnership (as at December 31, 2012 - $1.3 million distributions payable).

- 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 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. During the second quarter of 2012 IBI Group repaid $10.0 million of the advance with the issuance of 667,000 common shares of the Company. Interest expense on this advance was $0.1 million for the three months ended March 31, 2013 (three months ended December 31, 2011 - $0.1 million).

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As required by National 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 have evaluated the effectiveness of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as of the end of the period covered by the annual filings.

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

The CEO and CFO of the Company, together with management of the Company have evaluated the effectiveness of the Company's DC&P and ICFR, with the exception of controls which were not evaluated related to Taylor Young and M•E Companies, Inc., acquired during 2012 (collectively the "2012 acquisitions"). These acquisitions are consolidated within the results of the Company as of December 31, 2012. The 2012 acquisitions represent consolidated net assets of $0.3 million and net income before taxes of $0.5 million. The CEO and CFO of the Company, together with management, are collectively satisfied that, with the exception of controls related to the 2012 acquisitions which were not evaluated, as of December 31, 2012 the Company's DC&P and ICFR were appropriately designed and effective.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on the Company's experience combined with management's understanding of current facts and circumstances. These estimates may differ from actual results, and certain estimates are considered critical, as they are both important to reflect the Company's financial position and results of operations, and require significant or complex judgement on the part of management using accounting policies derived therein consistent with the Company's 2012 audited December 31, 2012 consolidated financial statements.

Accounting Developments

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

- IFRS 10, Consolidated Financial Statements, which will replace SIC-12, Consolidation − Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements;

- IFRS 11, Joint Arrangements which will replace IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities − Non-monetary Contributions by Venturers; and

- IFRS 12, Disclosure of Interests in Other Entities.

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company, and also require additional disclosure of all forms of interest that an entity holds. The standards became effective for the Company on January 1, 2013 and the Company will include any additional disclosures required by IFRS 12 for the first time in the annual financial statements for the year ending December 31, 2013.

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

Recently issued but not yet adopted accounting pronouncements:

In December 2011 the IASB published amendments to International Accounting Standard ("IAS") 32 Financial Instruments: Presentation and issued new disclosure requirements in

IFRS 7 Financial Instruments: Disclosures. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.

The amendments to IAS 32 clarify when an entity has a legally enforceable right to off-set as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company will include the additional disclosures required by the amendments to IFRS 7 in its 2013 financial statements. The extent of the impact of adoption of amendments to IAS 32 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) upfront risk of time invested in participating in consortia bidding on large projects; (xv) limits under the Company’s insurance policies; (xvi) the Company’s reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company’s subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company’s performance; (xx) the possibility that the Company may issue additional Common Shares diluting existing Shareholders’ interests; 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, 2012. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of Non-IFRS Measures

References in this MD&A to EBITDA are to earnings before interest, income taxes, depreciation and amortization, acquisition-related costs, foreign exchange gains and losses, dividends treated as an expense, fair value adjustment on financial liabilities and restructuring and special charges. Management of the Company believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for dividends prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA 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".

References to adjusted EBITDA are to EBITDA excluding any adjustment items.

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.

Adjusted distributable cash is defined by the Company as distributable cash excluding any adjustment items.

Payout ratio is defined by the Company as dividends declared plus Class B partnership distributions less shares issued under the DRIP in the period divided by distributable cash.

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

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

Adjusted revenue is equal to revenue plus the impact of any adjustments to unbilled work in process.

Adjusted net earnings are equal to the earnings for the period plus the after tax impact of any adjustments to unbilled work in process and uncollectible accounts receivable.

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

Standardized distributable cash is defined by the Company as net cash from (used in) operating activities less capital expenditures.

Normalized is defined by the Company as estimating the financial impact of an increase from 61 working days to 63 working days in the quarter ended March 31, 2013.