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 nine months ended September 30, 2012.

This MD&A is dated as of November 9, 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 16,811,876 Class A partnership units, representing 77.0% 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 23.0% 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 4,179,059 Shares of the Company. These interests represent an interest of approximately 42.2% in the Company on a partially diluted basis, assuming the exchange of the Class B Units for Shares of the Company. There are 16,811,876 Shares issued and outstanding as at September 30, 2012 (21,837,654 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

Revenue for the third quarter 2012 was approximately $3.0 million less than expectations. This was caused principally by the slowdown of the educational markets in the USA, particularly California, New York and the Pacific North West; the slowdown in the social infrastructure market in the UK; the suspension of a major toll project in Greece; and the decline in the level of activity in China. Additionally, the third quarter of 2012 had one working day less than the average quarter, representing approximately $1.4 million in revenue. Further compounding the lower revenue was greater vacation days typical of the third quarter compared to other quarters in the year.

The highlights of the third quarter ended September 30, 2012 are:

- Revenue at $86.8 million, up $2.5 million compared to the third quarter of 2011, down $1.7 million compared with the second quarter of 2012 and down $0.1 million compared with the first quarter of 2012.
- EBITDA[1] of $9.4 million decreased $3.5 million from the third quarter of 2011, decreased $2.6 million compared to the second quarter of 2012 and decreased $2.0 million compared to the first quarter of 2012.
- EBITDA[1] as a percentage of revenue for the third quarter of 2012 was 10.8%, a decrease of 4.5% when compared to the third quarter of 2011, a decrease of 2.8% when compared to the second quarter of 2012 and a decrease of 2.3% when compared to the first quarter of 2012.
- Basic and diluted earnings per share ("EPS") for the third quarter of 2012 was $0.1250, a decrease of 0.1105 (46.9%) compared with EPS[2] of $0.2355 for the third quarter of 2011, a decrease of $0.1549 (55.3%) compared with EPS of $0.2799 for the second quarter of 2012 and a decrease of $0.0815 (39.5%) compared with the EPS of $0.2065 for the first quarter of 2012.
- Distributable cash[1] of $4.9 million was down $3.3 million from the third quarter of 2011, down $1.7 million when compared to the second quarter of 2012 and down $1.4 million when compared to the first quarter of 2012. The payout ratio[1] for the third quarter of 2012 was 94.5%, an increase from 71.3% for the third quarter of 2011, an increase from 88.6% for the second quarter of 2012 and an increase from 89.0% for the first quarter of 2012.

Intensive efforts were made in the third quarter of 2012 to enhance ongoing performance which is expected to be achieved in the fourth quarter of 2012. These efforts include:

- Compensation costs were reduced in operating units that underperformed, to better align costs to committed work. The full benefit of these will be realized in the fourth quarter of 2012 with compensation costs expected to be approximately $0.5 million **less** than the third quarter of 2012. This process is continuing in the fourth quarter.
- Significant number of new projects and extensions of existing projects were committed that will result in work to be completed and revenue to be earned in the fourth quarter to be the highest to date.

As a result of the above efforts, EBITDA[1] for the fourth quarter is expected to result in the Company's highest to date.

Efforts also focused on enhancing free cash flow[1]. Cash collected from operations exceeded cash used in operations including dividend payments. This was achieved by:

- Enhanced collection of accounts receivable. Accounts receivable at the end of the third quarter of 2012 **decreased** by $11.4 million compared the second quarter of 2012 in the

(1) See "Definition of 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 nine months ended September 30, 2012.

30-90 days and greater than 90 days aging categories and **increased** by $4.0 million in current amounts outstanding.

- The introduction of the Dividend Reinvestment Program ("DRIP").

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 147 days at the end of the third quarter 2012. This was 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 at the end of the third quarter of 2012 is equal to the second quarter of 2012. Productive efforts in collection resulted in a decrease in accounts receivable of the equivalent of five working days compared to the second quarter of 2012. Work in process increased by four days, which largely arises from an increase in numerous new projects with large subconsultant work such as the Tel Aviv Red Line Transit project. Deferred revenue decreased by the equivalent of one day. As was achieved in the third quarter of 2012, Management continues its commitment to strive to reduce the total working capital tied up and enhance free cash flow[1].

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, second and third quarter of 2012. IBI Group will continue to strive to reduce accounts receivable as was achieved in the third quarter of 2012 and to grow the firm so as to increase revenue and earnings leading to the gradual reduction of the payout ratio[1].

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

The basic objective of IBI Group is to continue 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 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, as has been described in the MD&A previously.

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;

2) Intelligence on human senses and interaction with infrastructure and the built urban environment;

---

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

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[1] and strategic growth[1]. Organic growth[1] is the long term core of IBI Group's growth. IBI Group has achieved an average of 12% organic growth[1] per year since 1995. Organic growth[1] in the nine months ended September 2012 was 2.4%, notwithstanding organic growth[1] contraction of 1.2% in the third quarter, 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[1].

IBI Group also will grow via strategic growth[1] from acquisitions, to advance IBI Group 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. 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 US 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; and in the new methods of delivery in Design Build ("DB") and Private Finance Initiative ("PFI"), and/or Public Private Partnerships ("P3").

---

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

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, 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 91 partners, as of September 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, 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.

In the recent years IBI has achieved major strategic growth in the UK. IBI initiated operations in the UK in the early 1990's and established through organic growth[1], 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, and now more recently in the third quarter of 2012, the acquisition of Taylor Young.

The US continues to be the largest economy in the world and as such IBI will continue to focus on building our US business. IBI Group will continue to pursue existing areas of practise 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 US, 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 US recovers.

The basic model of IBI is to initiate its presence through organic growth[1] 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[1] creating an initial core group, IBI then accelerates the growth through strategic acquisitions as has now been largely accomplished in Canada and the UK.

IBI will similarly consider acquisitions/alliances in other international markets including China, India, Eastern Europe, Brazil and Mexico. Similarly to Canada and the UK, the long-term growth in these emerging markets for IBI will be based on continuing organic growth[1] on top of the expanded base achieved through strategic growth[1]. In longer term, that will place IBI in a sustainable model of generating additional net fee revenues, income and cash earned through continuing organic growth[1] on a global platform and mitigate the requirement for significant amounts of additional capital for financing strategic growth[1]. In the third quarter of 2012 IBI Group succeeded in securing significant new projects in international markets.

Major Projects

IBI Group continued in the third 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 the major new project for traffic management in South Africa, and a major toll project in Mexico;

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

- The growth in major transportation projects in which IBI Group has been mandated with a 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; and the IBI scope is extending as contract negotiations are advanced for the continuation of the work over the ensuing years;
- The growth in the private sector work in real estate and industrial developments, which continues to be strong in major Canadian urban areas, is now starting to increase in the US in automotive/industrial and real estate; 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 2,926 members of the firm, compared to 2,843 as at September 30, 2011. The 2,926 members is down from the June level of 3,050, when including members from Taylor Young, representing a decrease of 124 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. 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 US and in international markets.

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

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

- Committed fee volume for the target revenue for the fourth quarter 2012 is in hand, the ensuing 12 months represents in excess of 9 months equivalent of work. (Based on the current pace of work that IBI Group has achieved during the last twelve months ended September 30, 2012.) 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 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 24% for the United States and 62% in Canada which is generally consistent with the distribution of revenue earned in the current quarter; and

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 US. Accordingly, the outlook for IBI Group for the fourth quarter of 2012 is encouraging.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended September 30, 2012 (Unaudited)	Three months ended September 30, 2011 (Unaudited)	Nine months ended September 30, 2012 (Unaudited)	Nine months ended September 30, 2011 (Unaudited)
Revenue	$ 86,809	$ 84,265	$ 262,263	$ 244,351
Expenses				
Salaries, fees and employee benefits	62,135	57,032	183,775	165,266
Other operating costs (other than interest)[1]	15,653	14,850	46,118	43,325
Other finance costs[1]	54	35	212	615
Acquisition-related costs[1] included in other operating costs	(435)	(534)	(675)	(1,154)
	77,407	71,383	229,430	208,052
Earnings before income taxes, interest and amortization (EBITDA[1])	9,402	12,882	32,833	36,299
Interest	3,337	4,002	10,250	11,383
Change in fair value of financial instruments and other finance costs[1]	17	356	117	479
Income taxes – current	512	1,503	2,649	4,703
Income taxes – deferred	(478)	(497)	(1,061)	1,733
Amortization of property and equipment and intangible assets	2,519	2,664	7,583	7,996
Foreign exchange loss	357	77	504	361
Acquisition-related costs[1]	434	534	675	1,154
Earnings before non-controlling interest	$ 2,704	$ 4,242	$ 12,116	$ 8,490
Non-controlling interest	630	1,185	3,043	2,371
Earnings attributable to owners of the company	$ 2,074	$ 3,057	$ 9,073	$ 6,119
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[1,2]	$ 2,074	$ 3,057	$ 9,073	$ 8,376
Basic and diluted adjusted net earnings per share[1,2]	$ 0.1250	$ 0.2354	$ 0.5999	$ 0.4722
Total assets	$ 487,145	$ 497,029	$ 487,145	$ 497,029

(1) See "Definition of 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 nine months ended September 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 September 30, 2012, revenue was up $2.5 million (3.0%) to $86.8 million compared to $84.3 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, revenue was up $17.9 million (7.3%) to $262.3 million compared to $244.4 million for the nine months ended September 30, 2011.

Increase in Revenue

The following table summarizes the impact of the strategic growth[1] through acquisition and the organic growth[1] for the three and nine months ended September 30, 2012.

	Three months ended September 30, 2012 vs. 2011		Nine months ended September 30, 2012 vs. 2011	
	$ million	%	$ million	%
September 30, 2011	84.3		244.4	
Strategic growth[1]	3.5	4.2	10.3	4.2
Organic growth[1]	(1.0)	(1.2)	5.8	2.4
Total growth before foreign exchange	2.5	3.0	16.1	6.6
Impact of foreign exchange	-	-	1.8	0.8
Total increase in revenue	2.5	3.0	17.9	7.4
September 30, 2012	86.8		262.3	

Revenue from strategic growth[1] through acquisitions/mergers was approximately $3.5 million (4.2%) for the three months ended September 30, 2012 and $10.3 million (4.2%) for the nine months ended September 30, 2012. This strategic growth[1] for the three months ended September 30, 2012 was generated through additional revenues resulting from the acquisition/merger of Taylor Young in the third quarter of 2012 and DOWA in September 2011. The strategic growth[1] for the nine months ended September 30, 2012 included three months of results for the acquisition/merger of Bay Architects in the first quarter of 2011, and revenues from CRJA, DOWA and Taylor Young. Organic growth[1] for the three months ended September 30, 2012 was down $1.0 million (1.2%) compared with the three months ended September 30, 2011. Organic growth[1] for the nine months ended September 30, 2012 was up $5.8 million (2.4%) compared with the nine months ended September 30, 2011. The foreign exchange impact

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

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 a 4.9% increase in the average number of staff from 2,806 during the three months ended September 30, 2011 to 2,944 during the three months ended September 30, 2012. The number of staff as of September 30, 2012 was 2,926, up from 2,843 as of September 30, 2011.

Expenses

Salaries, fees and employee benefits for the three months ended September 30, 2012 were up $5.1 million (8.9%) to $62.1 million compared with $57.0 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, salaries, fees and employee benefits were up $18.5 million (11.2%) to $183.8 million compared to $165.3 million for the nine months ended September 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 September 30, 2012 were 71.6% compared with 67.7% for the three months ended September 30, 2011. For the nine months ended September 30, 2012, salaries, fees and employee benefits as a percentage of revenue were 70.1% compared with 67.6% for the nine months ended September 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 operating costs (other than interest)[1] for the three months ended September 30, 2012 were up $0.9 million (5.4%) at $15.7 million compared with $14.8 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, other operating costs (other than interest)[1] were up $2.8 million (6.4%) to $46.1 million compared to $43.3 million for the nine months ended September 30, 2011. As a percentage of revenue, other operating costs (other than interest)[1] for the three months ended September 30, 2012 were 18.0% compared with 17.6% for three months ended September 30, 2011. For the nine months ended September 30, 2012, other operating costs (other than interest)[1] as a percentage of revenue were 17.6% compared with 17.7% for the nine months ended September 30, 2011.

Total interest expense for the three months ended September 30, 2012 was down $0.7 million (16.6%) at $3.3 million compared with $4.0 million for the three months ended September 30, 2011. Total interest expense for the nine months ended September 30, 2012 was down $1.1 million (10.0%) at $10.3 million compared with $11.4 million for the nine months ended September 30, 2011. Included in total interest expense for the three months ended September 30, 2012 was non-cash imputed interest expense of $0.5 million, consistent with $0.5 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012 the non-cash imputed interest expense was $1.5 million, up $0.2 million compared with $1.3 million for the nine months ended September 30, 2011. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

Foreign exchange loss for the three months ended September 30, 2012 was a loss of $0.4 million compared with a loss of $0.1 million for the three months ended September 30, 2011. For

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

the nine months ended September 30, 2012, there was a foreign exchange loss of $0.5 million compared to $0.4 million loss for the nine months ended September 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 September 30, 2012 was down $0.2 million to $2.5 million compared with $2.7 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, amortization was down $0.4 million to $7.6 million compared with $8.0 million for the nine months ended September 30, 2011.

Income taxes of the Company for the three months ended September 30, 2012 were down $1.0 million to nil compared with an expense of $1.0 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, income tax expense was down $4.8 million to $1.6 million compared with $6.4 million for the nine months ended September 30, 2011. Current tax expense for the three months ended September 30, 2012 was down $1.0 million to $0.5 million, compared with an expense of $1.5 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012, current tax expense was down $2.1 million to $2.6 million compared to $4.7 million for the nine months ended September 30, 2011. For the three months ended September 30, 2012, deferred tax recovery was $0.5 million consistent with a recovery of $0.5 million over the three month period ended September 30, 2011. For the nine months ended September 30, 2012, deferred tax expense decreased by $2.8 million to a $1.1 million recovery from a deferred tax expense of $1.7 million for the nine months ended September 30, 2011. The decrease in deferred tax in the first nine months ended 2012 when compared to the first nine 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.

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

Net earnings attributable to the owners of the Company of $2.1 million for the three months ended September 30, 2012 decreased $1.0 million over the three months ended September 30, 2011. For the nine months ended September 30, 2012 net earnings attributable to the owners of the Company of $9.1 million increased $3.0 million over the nine months ended September 30, 2011. The results for the nine months ended September 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 September 30, 2012 was $2.1 million or basic and diluted adjusted net earnings per share[1] of $0.1250 compared with $3.1 million or $0.2355 per share for the three months ended

(1) See "Definition 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 nine months ended September 30, 2012.

September 30, 2011. For the nine months ended September 30, 2012, basic and diluted adjusted net earnings[1,2] attributable to owners of the Company for the nine months ended September 30, 2012 was $9.1 million or basic and diluted adjusted net earnings per share[1] of $0.5999 compared with $6.1 million or $0.4722 per share for the nine months ended September 30, 2011.

EBITDA[1] for the three months ended September 30, 2012 was $9.4 million, down $3.5 million (27.0%) from $12.9 million for the three months ended September 30, 2011. EBITDA[1] for the nine months ended September 30, 2012 was $32.8 million, down $3.5 million (9.5%) from $36.3 million for the nine months ended September 30, 2011. As a percentage of revenue, EBITDA[1] for the three months ended September 30, 2012, was 10.8%, a decrease of 4.5% from the three months ended September 30, 2011 of 15.3%. As a percentage of revenue, EBITDA[1] for the nine months ended September 30, 2012, was 12.5%, a decrease of 2.4% from the nine months ended September 30, 2011 of 14.9%.

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

Distributable Cash[1]

in thousands of dollars	Three months ended September 30, 2012 (Unaudited)	Three months ended September 30, 2011 (Unaudited)	Nine months ended September 30, 2012 (Unaudited)	Nine months ended September 30, 2011 (Unaudited)
EBITDA[1]	$ 9,402	$ 12,882	$ 32,833	$ 36,299
(Deduct):				
Capital expenditures	(536)	(775)	(2,155)	(1,972)
Interest paid	(2,841)	(3,548)	(8,791)	(10,096)
Income taxes paid	(1,157)	(399)	(4,066)	(2,887)
Distributable cash[1]	$ 4,868	$ 8,160	$ 17,821	$ 21,344

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 September 30, 2012 (Unaudited)	Three months ended September 30, 2011 (Unaudited)	Nine months ended September 30, 2012 (Unaudited)	Nine months ended September 30, 2011 (Unaudited)
Cash flow from (used in) operating activities	$ 6,000	$ 2,045	$ (4,940)	$ (12,268)
Less: Capital expenditures	(536)	(775)	(2,155)	(1,972)
Standardized distributable cash[1]	$ 5,464	$ 1,270	$ (7,095)	$ (14,240)
Add (deduct):				
Change in non-cash operating working capital	(1,900)	4,776	21,088	29,366
Acquisition-related costs[1]	435	534	675	1,154
Current income tax expense	512	1,503	2,649	4,703
Foreign exchange loss	357	77	504	361
Distributable cash[1]	$ 4,868	$ 8,160	$ 17,821	$ 21,344
Weighted average basic and diluted distributable cash per Share[2]	$ 0.2252	$ 0.4530	$ 0.8923	$ 1.1865
Aggregate of dividends and Class B partnership distributions	$ 6,608	$ 5,817	$ 18,112	$ 16,540
Dividends and Class B partnership distributions issued under DRIP[3]	(2,010)	-	(2,010)	-
Net dividends and Class B partnership distributions	$ 4,598	$ 5,817	$ 16,102	$ 16,540
Aggregate of dividends and Class B partnership distributions per Share	$ 0.2127	$ 0.3229	$ 0.7991	$ 0.9195
Payout ratio[1]	94.5%	71.3%	89.6%	77.5%

(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.
(3) During the three months ended September 30, 2012, the Company issued 215,000 common shares from treasury at $9.37 per share for a total of $2,010 under the dividend reinvestment and share purchase plan ("DRIP").

In the first, second and third quarters 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. In the second quarter of 2012 one month of the Class B unitholder distributions were withheld. During the third quarter of 2012 the full three months of Class B unitholder distributions of $2.0 million were paid in the form of stock under the dividend reinvestment and share purchase plan (“DRIP”). In 2011, the Class B unitholder distribution for the month of March 2011 was postponed. 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 September 30, 2012 compared to December 31, 2011:

(in thousands of dollars)	September 30, 2012 (Unaudited)	December 31, 2011	Change	Change due to reclassification of credit facility	Adjusted change
Current assets	$ 278,368	$ 268,064	$ 10,304	-	$ 10,304
Current liabilities	$ (139,463)	$ (91,229)	$ (48,234)	$ 66,757	$ 18,523
Working capital	$ 138,905	$ 176,835	$ (37,930)	$ 66,757	$ 28,827

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

The banking syndicate agreed to an amendment to the fixed charge ratio to 1.0 for the period ending September 31, 2012, with a gradual reinstatement in ensuing quarters to 1.1. IFRS standards require the credit facility be classified as a current liability for the period ended September 30, 2012 as the amendment was obtained after the end of the third quarter. The credit facility will be classified as a non-current liability in the year end statements.

Current assets have increased by $10.3 million as at September 30, 2012 as compared with December 31, 2011. This is the result of the increase in accounts receivable of $1.7 million, increase in work in process of $12.2 million, a decrease in prepaid expenses and other assets of $2.7 million, an increase in income tax recoverable of $0.1 million and a decrease in cash of $0.9 million. Current liabilities have increased by $48.2 million as at September 30, 2012 as compared with December 31, 2011. Decreases in accounts payable and accrued liabilities of $8.6 million, income tax payable of $1.3 million, notes payable related to acquisitions of $4.0 million, deferred revenues of $3.6 million and dividends and distributions payable of $0.9 million were offset by an increase in credit facility of $66.8 million classified as a current liability.

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	September 30, 2011 (Unaudited)	December 31, 2011 (Unaudited)	March 31, 2012 (Unaudited)	June 30, 2012 (Unaudited)	September 30, 2012 (Unaudited)
Accounts receivable	89	77	79	82	77
Work in process	69	68	70	71	75
Deferred revenue	(10)	(7)	(7)	(6)	(5)
Total	148	138	142	147	147

As indicated in the table above, significant progress was achieved in reducing the accounts receivable outstanding by 12 days 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 in accounts outstanding less than 90 days. Accounts outstanding over 90 days as at the third quarter have decreased since the first and second quarters of 2012, both in percentage and absolute dollars.

Accounts Receivable Aging *in thousands of dollars*	March 31, 2012 (Unaudited)	%	June 30, 2012 (Unaudited)	%	September 30, 2012 (Unaudited)	%
Current	41,493	30	40,549	28	44,577	33
30 to 90 days	28,106	20	35,827	25	30,917	22
Over 90 days (net of allowance)	68,940	50	67,442	47	60,944	45
Total	138,539	100	143,818	100	136,438	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 September 30, 2012 (Unaudited)	Three months ended September 30, 2011 (Unaudited)	$ Change
Cash flows from operating activities	6,000	2,044	3,954
Cash flows (used in) financing activities	(3,332)	(939)	(2,393)
Cash flows (used in) investing activities	(1,793)	(3,881)	2,088

in thousands of dollars	Nine months ended September 30, 2012 (Unaudited)	Nine months ended September 30, 2011 (Unaudited)	$ Change
Cash flows (used in) operating activities	(4,940)	(12,268)	7,328
Cash flows from financing activities	7,565	23,464	(15,899)
Cash flows (used in) investing activities	(3,412)	(12,486)	9,074

Cash flows provided by operations for the three months ended September 30, 2012 were $6.0 million compared to cash flows from operations of $2.0 million for the three months ended September 30, 2011 for a net change of $4.0 million. The $6.0 million positive cash flow from operations is due to an improvement in $3.1 million working capital, primarily due to a significant decrease in accounts receivable in the quarter. The $6.0 million from operations exceeds the dividends paid of $4.6 million and purchase of property, plant and equipment of $0.5 million by $0.9 million in the quarter, representing excess cash generation.

For the nine months ended September 30, 2012, cash used in operations was $5.0 million. This compares to cash used in operations of $12.3 million for the nine months ended September 30, 2011 for a net change of $7.3 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 used in financing activities for the three months ended September 30, 2012 were $3.3 million compared with $0.9 million used in financing activities for the three months ended September 30, 2011. For the nine months ended September 30, 2012, cash flows from financing activities were $7.6 million compared to $23.5 million for the nine months ended September 30, 2011.

Cash flows used in investing activities for the three months ended September 30, 2012 were $1.8 million as compared to cash flows used in investing activities of $3.9 million for the three months ended September 30, 2011. Capital expenditures during the three months ended September 30, 2012 were $0.5 million compared with expenditures of $0.8 million for the same period in 2011. For the nine months ended September 30, 2012, cash flows used in investing activities were $3.4 million as compared to $12.5 million for the nine months ended September 30, 2011. Capital expenditures during the nine months ended September 30, 2012 were $2.2 million compared with $1.9 million for the same period in 2011. Cash paid on acquisitions for the nine months ended September 30, 2012 was $1.3 million, down $9.2 million from the nine months ended September 30, 2011.

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 September 30, 2012, IBI Group had borrowings of $67.6 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 September 30, 2012, IBI Group had issued bid bonds in the amount of $3.9 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 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 1.1. IBI Group's fixed charge coverage ratio is less than 1.1 for the quarter ended September 30, 2012. Subsequent to the reporting period, the banking syndicate agreed to an amendment to the fixed charge coverage ratio covenant from greater than 1.1 to greater than 1.0 for the period ending September 30, 2012, with a gradual reinstatement in ensuing quarters to 1.1. The credit facility was classified as a current liability for the period ended September 30, 2012. The credit facility will be classified as a non-current liability for the year end financial statements. As at December 31, 2011 and September 30, 2011 the Company was in compliance with all covenants under its credit facilities.

(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)	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010
Revenue	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265	$ 82,301	$ 77,785	$ 75,615
Earnings [4]	2,704	5,680	3,733	4,165	4,242	4,247	1	18,045
Changes in fair value and other Finance Costs	17	41	59	313	357	187	(66)	(13,287)
Interest expense, net[4]	3,337	3,310	3,603	3,867	4,002	3,879	3,503	3,305
Income taxes expense (recovery)	34	602	952	3	1,006	1,285	4,145	(1,241)
Amortization of property and equipment and intangible assets	2,519	2,505	2,559	3,467	2,664	2,603	2,729	2,633
Acquisition-related costs[1]	435	32	208	416	534	402	218	182
Foreign exchange loss (gain)	357	(142)	289	(15)	77	66	218	250
Purchase price adjustment	-	-	-	-	-	-	-	1,551
Earnings before income taxes, interest and amortization (EBITDA[1])	9,402	12,028	11,403	12,216	12,882	12,669	10,748	11,438
EBITDA[1] as a percentage of Revenue	10.8%	13.6%	13.1%	13.9%	15.3%	15.4%	13.8%	15.1%
Distributable Cash[1] reconciliation								
Cash flow from (used in) operating activities	6,000	(818)	(10,122)	9,795	2,045	(17,437)	3,125	7,485
Less capital expenditures	(536)	(749)	(870)	(1,065)	(775)	(607)	(590)	(448)
Standardized Distributable Cash[1]	5,464	(1,567)	(10,992)	8,730	1,270	(18,044)	2,535	7,037
Add (deduct):								
Change in non-cash operating working capital	(1,900)	7,277	15,711	(3,054)	4,776	23,372	1,217	(1,290)
Acquisition-related costs[1]	435	32	208	416	534	402	218	1,733
Current income tax expense (recovery)	512	1,047	1,090	426	1,503	1,548	1,652	(507)
Foreign exchange loss (gain)	357	(142)	289	(15)	77	66	218	250
Distributable Cash[1]	4,868	6,647	6,306	6,503	8,160	7,344	5,840	7,223
Basic and diluted Distributable Cash per Share and Partnership Unit in 2011 and Units in 2010[2]	0.2252	0.3184	0.3487	0.3608	0.4530	0.4081	0.3253	0.4027
Basic and diluted aggregate dividends declared per Share in 2011 and per Unit in 2010	0.2127	0.2820	0.3105	0.3230	0.3229	0.3231	0.2734	0.3999
Payout ratio[1]	94.5%	88.6%	89.0%	89.5%	71.3%	79.2%	84.1%	99.3%
Basic Adjusted Net Earnings per Share in 2011 and per Unit in 2010[3,4]	0.1250	0.2799	0.2065	0.2311	0.2355	0.2360	0.2423	0.2700
Personnel – average	2,944	2,925	2,900	2,899	2,806	2,685	2,579	2,502
Personnel – quarter end	2,926	2,950	2,899	2,901	2,843	2,764	2,592	2,484

(1) See "Definition of 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 nine months ended September 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 September 30, 2012 (three months ended September 30, 2011 - $5.4 million) and $18.5 million for the nine months ended September 30, 2012 (nine months ended September 30, 2011 - $16.0 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 September 30, 2012 there were no amounts of distributions payable to the Management Partnership due to the issuance of $2.0 million of shares under the DRIP program (As at September 30, 2011 - $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 September 30, 2012 (three months ended September 30, 2011 - $0.2 million) and $0.4 million for the nine months ended September 30, 2012 (nine months ended September 30, 2011 - $0.5 million).

- 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 $10.0 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 third 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 (“IFRS 10”)*, 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 the amendments has not yet been determined.

- **Joint Arrangements**

  In May 2011 the IASB issued IFRS 11 *Joint Arrangements (“IFRS 11”)*, 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 extent of the impact of adoption of the amendments has not yet been determined.

- **Disclosure of Interests in Other Entities**

  In May 2011 the IASB issued IFRS 12 *Disclosure of Interests in Other Entities (“IFRS 12”)*, 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 extent of the impact of adoption of the amendments has not yet been determined.

- **Investments in Associates and Joint Ventures**

  In May 2011 the IASB issued *Amendments to IAS 28 Investments in Associates and Joint Ventures (“IFRS 28”)*, 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 extent of the impact of adoption of the amendments has not yet been determined.

- **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 the amendments 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 the amendments 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 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, 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".

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.

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.

Free cash flow is defined by the Company as net cash provided by (used in) operating activities less purchases of property, plant and equipment in the period.

Strategic growth is defined by the Company as the additional revenue generated by new acquisitions in the period as compared to the prior period revenue.

Organic growth is defined by the Company as the additional revenue generated in the period, excluding any revenue generated by new acquisitions in the period, as compared to the prior period revenue.

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.

Acquisition-related costs are defined by the Company as legal, accounting and other fees incurred in the period relating to acquisitions.

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

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 Class A shares outstanding during the period.

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