MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes ("financial statements") of IBI Group Inc. (the "Company") for the three and six months ended June 30, 2011.

This MD&A is dated as of August 12, 2011. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2010, is 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 interim financial statements and is expressed in Canadian dollars. The unaudited IFRS-related disclosures and values in this MD&A have been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which will be December 31, 2011.

The amounts in this MD&A and the accompanying interim financial statements for the three and six months ended June 30, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Periods prior to January 1, 2010 have not been restated and are prepared in accordance with Pre-changeover Accounting Standards ("PCAS"). Please refer to Note 16 of the accompanying unaudited interim condensed consolidated financial statements for a summary of the differences between our unaudited interim condensed consolidated financial statements previously prepared under PCAS and those under IFRS for the three and six months ended June 30, 2010. Please refer to Note 19 of the interim financial statements for the three months ended March 31, 2011 for a summary of the differences between our unaudited interim condensed consolidated financial statements previously prepared under PCAS and those under IFRS for the year ended December 31, 2010.

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 networks and systems technology. 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.

The Company: IBI Group Inc. and the IBI Group Partnership

The Company is the successor to IBI Income Fund, following the completion of the conversion of the Fund 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.

Holders of a right to receive Fund Units or securities exchangeable into Fund Units received the right to acquire the same number of Common Shares as the number of Fund Units they were entitled to receive prior to the Arrangement. In conjunction with the Arrangement, the Fund and IBI Holding Trust were wound-up effective January 1, 2011. As a result of the Arrangement, the Corporation now owns, directly or indirectly, the limited partnership units of IBI LP and the Class A Units of IBI Group as well as the common shares of IBI GP Holdings Limited and IBI GP Limited.

Prior to the conversion of the Fund to a corporate structure effective January 1, 2011, the Fund was an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund’s Declaration of Trust. The Fund was entirely dependent upon the operations and assets of the IBI Group Partnership in which it indirectly held 12,924,473 Class A partnership units, representing 72.0% 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 28.0% of the issued and outstanding Partnership Units of IBI Group. In addition, the Management Partnership held 5,025,778 non-participating voting units (“Non-Participating Voting Units”) of the Fund which, together with the Class B partnership units of IBI Group, were exchangeable into trust units (“Units”) of the Fund on a one for one basis, subject to adjustment.

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 or are controlled by a person who controls a partner of the Management Partnership, together held 3,227,050 Units of the Fund. These interests represented an interest of approximately 46% in the Fund on a partially diluted basis, assuming the exchange of the Class B Units for Units of the Fund. There were 12,924,473 Units issued and outstanding as at December 31, 2010 (17,950,251 Units issued and outstanding on a partially-diluted basis).

Following conversion, the basic structure of the IBI Group, the entity carrying on the business of IBI, as a partnership with two partners has continued. As a result of the Arrangement, the Company, rather than the Fund, now indirectly holds all of the Class A partnership units of IBI Group and Management Partnership continues to hold all of the Class B partnership units of IBI Group, which are now exchangeable into common shares. The Company also holds the common shares of General Partner Co. and General Partner Trustee. The Company has assumed all obligations of the Fund with respect to the Fund's outstanding convertible debentures. The trustees of the Fund continued as directors of the Company.

The Company was incorporated pursuant to the provisions of the CBCA and did not carry on any active business prior to the Arrangement. The nature of the business and the Fund's financial condition are unaffected by the conversion to a corporation.

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.

The Company's dividend policy is to continue to be a relatively high distributor of cash earned.

Operating Highlights

The second quarter of 2011 results demonstrated the continued firming of the operating results of IBI Group as compared to the first quarter of 2011 and the second quarter of 2010. The results of the second quarter of 2011 are based on 63 available working days which is consistent with an average quarter, compared with 62 workings for the first quarter of 2011. The one additional day to "normalize" the first quarter 2011 to an average quarter would have resulted in approximately $1.3 million of additional revenue in the first quarter of 2011. The highlights are:

- Revenue at $82.3 million, the highest quarterly amount to date was $12.5 million above the second quarter of 2010, and up $4.5 million compared with the first quarter of 2011 ($3.2 million with first quarter of 2011 normalized).
- EBITDA[1] of $12.7 million was $2.9 million above the second quarter of 2010, and up $2.0 million compared with the first quarter of 2011 ($0.7 million with first quarter of 2011 normalized).
- EBITDA[1] as a percentage of revenue for the second quarter of 2011 was 15.4%, an increase of 1.4% to the second quarter of 2010 and up 1.6% when compared to the first quarter of 2011 at 13.8% (up 0.2% compared with first quarter of 2011 normalized).
- Distributable cash[1] of $7.5 million for the second quarter of 2011 as compared to $7.0 million for the second quarter of 2010, a change of $0.5 million. Distributable cash[1] was up $1.5 million when compared to first quarter of 2011 ($0.2 million with first quarter of 2011 normalized).
- The amount of working capital tied up in accounts receivable, work in process and deferred revenue measured in the equivalent numbers of working days increased to 177 days as at the end of the second quarter of 2011 from 167 days equivalent at end of first quarter of 2011. During the period of the recession, the working capital tied up rose from

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

the equivalent of 180 working days in the fourth quarter of 2009 up to 195 days in second quarter of 2010. Significant progress has been made in reducing this working capital tied up with the reduction down to 175 days in fourth quarter of 2010, 167 days as at March 31, 2011. The increase of the equivalent of 10 days in the second quarter of 2011 is the result of the start of numerous new projects, including some large assignments. The increase in accounts receivable is primarily in current and recent accounts. The increase in work in progress largely arises from this increase in numerous new projects. Management continues to its commitment to strive to reduce the total working capital tied up measured in working days to 140 days.

Strategic Program of Growth

In June 2011, IBI Group concluded arrangements for the merger/acquisition with CRJA, Landscape Architects ("CRJA"), based in Boston, Massachusetts. CRJA will continue as a distinct entity within the IBI Group of Firms. CRJA has established a highly regarded recognised name in the practice of Landscape Architecture in the USA and worldwide, including numerous assignments at embassies of the Government of the USA throughout the world. The firm is known for its creative talent, technical expertise and consistency of professional services to its clients in realising successfully many landscape projects in educational campuses and building facilities in prestigious embassies, urban developments of mixed uses; and design of the public realm of streetscapes and public places of all kinds. CRJA can now participate in projects of the IBI Group of Firms on this global basis, enhancing their reach in China and elsewhere and more effectively contribute in the USA through the network of IBI offices.

In March 2011, IBI Group concluded arrangements for the merger/acquisition of Bay Architects Inc, ("Bay") in Southeast Texas, based in Houston. Bay is an architectural firm that specializes in educational facilities, (schools and community colleges), along with other areas of architectural practice in civic, other institutional, retail, office and industrial facilities. Bay-IBI is a further strategic component of the growing international practice of the IBI Group in education. Bay-IBI will also provide the strategic platform for IBI Group for growth in the large and prosperous State of Texas. New opportunities in transportation sector are now being pursued combining the transportation experience of IBI Group from California and elsewhere with the Texas presence of Bay–IBI.

In January 2011, the merger of the practice of Cardinal Hardy Architectes, ("CHA") with Beinhaker Architects was completed. This practice continues as Cardinal Hardy Beinhaker Architects ("CHBA") affiliated with the IBI Group of firms. In parallel, the merger of the Company Groupe Cardinal Hardy Inc. ("GCHI") directly within IBI Group was completed as well. CHBA is a full services architectural practice known for its outstanding design and technical work ranging from institutional projects in transportation, social infrastructure including building facilities in education and health, private development projects by leading developers in the Greater Montreal Region. The firm is also expert with an outstanding portfolio of work in urban design and landscape architecture. This merger and the ongoing integration is proceeding very effectively and has resulted in additional assignments secured from clientele of the previously separate firms.

At the end of the fourth quarter of 2010, IBI Group completed the acquisition and merger of CSM Engineering Ltd. ("CSM"), based in Fort McMurray, Alberta. CSM has been leading the civil engineering practice in the development of land and infrastructure in Fort McMurray, for over a decade. The acquisition is now enabling IBI Group and CSM to jointly continue the practice of civil engineering for land development and infrastructure in Fort McMurray and Northern Alberta. The professional engineering team of CSM now being integrated within the IBI Group constitutes an experienced and broadly based professional team to serve the continuing community and infrastructure needs in Fort McMurray, arising from the continuing developments of the oil sands. CSM and IBI Group have collaborated on projects previously, and are doing work in joint venture currently for mutual clients. This merging of the CSM professional engineering practise within IBI Group facilitates a more comprehensive and effective service to clients. The merger with IBI Group enables CSM to broaden and strengthen the talent and experience of CSM to undertake larger scale projects with more comprehensive services. It also opens broader horizons for the growth of the CSM professional team over the longer term within the IBI Group of Firms.

During the second quarter of 2010, IBI Group completed the acquisition of Nightingale Architects Ltd ("Nightingale"). Nightingale is a leading architectural practice, specialising in facilities for health care and for education and science. The practice has been in existence for over twenty years and has grown steadily to its current complement of 230 members operating in six offices in the UK, as well as an office in South Africa. Nightingale is a practice leader in social infrastructure in the UK, actively engaged in major building projects in that base of operation and other projects internationally including Eastern Europe, the Gulf, Australia and South Africa. The firm is an architect of choice of public agencies, as well as private development proponents/construction contractors for the delivery of health care facilities through private finance initiatives, public private partnerships and design build. These major private companies, operating in the UK, are also similarly engaged in other world markets affording Nightingale the opportunity to provide architectural services for these clients for projects elsewhere. The integration of the executive team of Nightingale is a strategic advancement in relation to three basic objectives of IBI Group: building the world platform of IBI Group; becoming a leader in world scale projects in health care and other areas of social infrastructure, and strengthening the business of IBI Group. In fact, as we approach the end of the first year of working together, joint efforts and business development initiatives targeting professional work opportunities have yielded results in new joint work of Nightingale within the IBI group of Firms.

During the first quarter of 2010, IBI Group completed the acquisition of MAAK Technologies Inc. ("MAAK"). This firm's expertise in water engineering and systems applications extends IBI Group's work in systems technology to the important area of water resources. It also broadens the IBI Group practice geographically with further strengthening in the Caribbean.

IBI Group continues to be committed to growth in the USA. Discussions are under way with a number of USA based firms in connection with potential acquisitions. These acquisitions could add further skills and strengthen IBI Group's presence in major centres of population in the six urban regions of the USA. IBI Group expects additional acquisitions to be concluded during 2011. As IBI Group has noted previously, the firms being acquired may not achieve the levels of profitability of which they are capable within the current economic environment in the USA. While this may dampen EBITDA[1] and distributable cash[1] as a percentage of net fee revenue in the short term and is of concern to the IBI Group, the firm continues to believe this is a sound strategic investment program which will realise significant results within an improved economic environment, strengthened with the international reach of the IBI Group within the next few years. In fact, IBI Group is currently experiencing an increase in demand for its services in the USA market notably in the automotive sector related to plant refurbishments for production changes and expansion.

IBI Group is also engaged in discussions with other firms for strategic relationships and acquisitions in international markets where IBI Group is currently active including; China, India, Eastern Europe, Brazil and Mexico.

Building the Global Practice of IBI

The program of strategic growth outlined above is directed to achieve the basic objective of IBI Group; 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 the social and economic systems worldwide. While there are cultural differences, much of the physical aspects in the formation of the cities; the transportation and other infrastructure, the buildings and the 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. The IBI Group 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 can address urbanization in metropolitan areas throughout the world.

The IBI Group model is to operate as one integrated global firm that can deliver 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.

IBI Group will continue in this long term strategy through both organic and strategic growth. IBI continued to pursue 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 and in education facilities and intelligent systems, all the while addressing the shrinking back in housing facilities in the USA and other markets. IBI Group's long term strategy will be consistently pursued but with adjustments necessary from time to time, as was the case during this recent recession with respect to housing.

IBI Group will continue to pursue work directly on behalf of the owners in what is commonly termed, "conventional" method, in which architects, engineers and other professionals are engaged directly for the owners. (The owners then subsequently engage directly construction contractors and suppliers). IBI Group will also continue to grow in the new

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

methods of delivery in Design Build and Private Finance Initiative (PFI), and/or Public Private Partnerships (P3). IBI Group's expanding relationships with world leading construction contractors and financiers of such work provides an alternate to delivery of facilities for public agencies who are lacking capital to invest in transport infrastructure and social infrastructure required for their societies. This method has been effectively adopted in Canada, in Great Britain and other countries throughout the world. IBI Group is well positioned to pursue this on a continuing basis where these methods are established, as well as to be one of the leaders in the markets that adapt these methods in other countries, as is anticipated will be the case in the USA.

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

Major Projects

IBI Group has successfully expanded its capability and size, notwithstanding the pressures during the period of the recent recession. Notable areas of expansion of capability include:

1) the growth in the architecture of social infrastructure, including both health and educational facilities;

2) 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 across the world;

3) the growth in major transportation projects in which IBI Group has been mandated with lead role; and

4) IBI Group has grown in numbers of people reflecting the growth and revenue and now comprises some 2,764 members of the firm (including CRJA).

With this growth in personnel and professional excellence, IBI Group increasingly is awarded leading professional and managerial roles for proponents and owners of development projects. These include major projects in social infrastructure such as the McGill University Health Centre in Montreal; major transportation projects in transit facilities, as well as increasingly in the highway/road modes; the comprehensive provision of intelligent systems based on IBI Group software, integration of hardware, and the delivery of complete systems including ongoing operations; and now with a turn in certain private property markets, the leadership of major real property developments in Canada, Eastern Europe and Asia. 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 across the world with IBI Group's global experience complemented by IBI Group's established physical and operating presence in communities throughout the world.

Other Professional Progress

Other progress in the professional work of IBI Group in the second quarter of 2011 included:

- Continuing work on a wide range of tolling and traffic management projects around the world. These projects are very effective in increasing capacity through existing as well as new highway and road transportation facilities with relatively minor capital expenditures on systems. Accordingly, they continue to be favoured investments even during these challenged economic times in Europe, USA and other markets;
- Continued further work in the growing health care practice of IBI Group; which has very significantly increased opportunities arising from the Nightingale merger. IBI Group and Nightingale are now engaged in healthcare projects in Canada, the UK, Eastern Europe, Australia, and on existing work with increased business development opportunities in these jurisdictions along with others including China and India. Work continues on the McGill University Health Centre and Women's College Hospital in Toronto (both confirmed in 2010), on Glasgow Southern General Hospital (also confirmed in 2010), and now new assignments which IBI Nightingale are the selected architects including the major Pappworth Hospital in London, England; and other assignments in which IBI Nightingale is the architectural and program advisor for the Government agency such as the Children's Hospital in Edinburgh;
- Further increase in private sector assignments for building design, particularly in the residential sector across Canada which has exhibited significant strength;
- Continued growth of the IBI practice in China;
- Further progress in the development of the practice in India with various new private sector assignments;
- Further strengthening of activity in the Kingdom of Saudi Arabia and the United Arab Emirates;
- The increase of work in the new IBI offices in Eastern Europe;
- The establishment of the IBI presence in Texas;
- The resurgence of the activity on plants for the automotive industry in the Great Lakes area, as well as new assignments for major industrial plants in the Southern United States; and
- Substantial increase in work in the field of transit in Canada, notably in Toronto; and in the USA, and internationally. The Government of the State of Israel recently announced the selection by NTA, the Government Agency responsible for transit in the Tel Aviv Metropolitan Area on the selection of IBI Group as architectural and engineering designers for ten underground stations on the LRT Red Line.

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

Outlook

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

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

In 2004, IBI Group embarked on a program of intensifying the strategic growth through acquisition, integration and consolidation, on top of organic growth of the expanding base. Equity required for this strategic growth was obtained by the IBI Group Management Partnership entering into a partnership with outside investors through the Initial Public Offering (IPO), completed on August 31, 2004. Since that time IBI Group has successfully grown from a staff of approximately 770 people and approximately $89.0 million in annualized revenue to the current level as at June 30, 2011 of approximately 2,764 members of staff (including CRJA), and annualized revenue in excess of $300 million.

During this period of growth from 1974 to June 2011, IBI Group has experienced recessions that included: the severe recession in North America in the mid 1970's when IBI Group commenced its operations; the recession of the early 1980's; the more severe slowdown of the first half of the 1990's; the demise of the Dot Com bubble and the impact of 9/11 in the early decade of 2000. During these past 37 years, IBI Group continued to grow from its initial group of 30 people through to the current level of 2,764 (including CRJA). Each of these recessions presented particular challenges, as did the recent recession that continued through 2010.

The IBI Group operating structure, model and seasoned, experienced leadership which provided the motivation and discipline in the management of growth over the past 37 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 factors:

- IBI Group fee revenue growth continues, and achieved improved performance with the highest revenue ever at $82.3 million for the second quarter of 2011;
- Committed fee volume for the ensuing 12 months represents well over 9 months equivalent of work, based on the current pace of work that IBI Group has achieved during the first half of 2011 and over 9 months based on the greater pace that IBI Group anticipates for the second half of 2011. Backlog for Government and public institutional clients now represents over 69% of total backlog. Backlog is continuing to increase in building facility areas in health care, education, housing and now the industrial sector, in transportation terminals, transportation networks and intelligent systems. IBI Group is increasingly receiving new mandates in the design stage of new private sector projects, as well as some of these now moving into design development and working drawings as projects proceed to sales;
- IBI Group committed backlog is approximately 17% of fee volume for projects outside of North America and 21% for the United States and 62% in Canada; and
- IBI Group is progressing with the initial integration of CSM, CHBA and Bay, and now starting with CRJA and the further integration of the firms acquired through 2010.

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

Accordingly, the outlook for IBI Group for 2011 continues to be very encouraging:

- Commitment of new work for IBI Group continued to increase during the second quarter of 2011, replacing the $82.3 million of work completed during the quarter and adding the additional work for the future. Backlog for the next twelve months remains in excess of nine months as it was in the prior quarter despite the greater pace that IBI Group is achieving for the second quarter of 2011. This backlog is based on a very wide range of substantial projects;
- The current staff complement is appropriately sized for the backlog of ongoing committed work at the professional standards of the firm, with capacity to handle the work from the significant projects that IBI Group is awaiting full authorization to proceed. IBI Group will adjust staffing levels as necessary in respect to the pace of the work;
- Further acquisitions have been achieved and a number of new opportunities are in the final negotiation stage as well as in the exploratory stage;
- IBI Group Inc. completed a convertible debenture offering which has significantly improved the balance sheet and operating flexibility of IBI Group; and
- IBI Group's lenders continue to be very supportive of IBI Group efforts. The new Banking Arrangements for the next 5 years closed on July 29, 2011.

Selected Interim Consolidated Financial Information

in thousands of dollars except for per share and per unit amounts	Three months ended June 30, 2011 (Unaudited)	Three months ended June 30, 2010 (Unaudited)	Six months ended June 30, 2011 (Unaudited)	Six months ended June 30, 2010 (Unaudited)
Revenue	$ 82,301	$ 69,790	$ 160,086	$ 137,865
Expenses				
Salaries, fees and employee benefits	55,246	47,913	108,234	94,542
Other operating costs (other than interest)	14,497	12,693	28,475	24,651
Other finance costs	291	70	580	181
Acquisition-related costs included in other operating costs	(402)	(655)	(620)	(720)
	69,632	60,021	136,669	118,654
Earnings before income taxes, interest and amortization (EBITDA[1])	12,669	9,769	23,417	19,211
Interest	3,434	2,446	6,549	4,677
Change in fair value of financial instruments and other finance costs (income)	188	(8,407)	122	(45,780)
Income taxes – current	1,548	1,209	3,200	1,559
Income taxes – deferred	(263)	(333)	2,230	(682)
Amortization of property and equipment and intangible assets	2,603	2,930	5,332	5,627
Foreign exchange loss (gain)	66	(433)	284	(117)
Acquisition-related costs	402	655	620	720
Net earnings before non-controlling interest	$ 4,692	$ 11,702	$ 5,080	$ 53,207
Non-controlling interest	1,310	-	1,418	-
Net earnings attributable to owners of the company (owners of the Fund in 2010)	$ 3,382	$ 11,702	$ 3,662	$ 53,207
Distributions paid to unitholders	-	5,130	-	10,241
Distributions paid to exchangeable interest holders	-	2,040	-	4,050
Change in fair value of trust units	-	(10,884)	-	(40,786)
Change in fair value of exchangeable interest liability	-	(4,272)	-	(16,032)
Change in fair value of derivative liability embedded in convertible debentures	-	(400)	-	(3,078)
One time non-cash tax on conversion to a corporation	-	-	3,131	-
Proportion of earnings attributable to Class B Partnership Units	-	(928)	(874)	(2,129)
Adjusted Net Earnings[1]	$ 3,382	$ 2,388	$ 5,919	$ 5,473
Basic adjusted net earnings per share[2] (units in 2010)	$ 0.2607	$ 0.1862	$ 0.4571	$ 0.4276
Total assets	$ 471,162	$ 454,774	$ 471,162	$ 454,774

(1) See “Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures”
(2) 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.

Results of Operations

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

Revenue

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

For the three months ended June 30, 2011, revenue was up $12.5 million (17.9%) to $82.3 million compared to $69.8 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, revenue was up $22.2 million (16.1%) to $160.1 million compared to $137.9 million for the six months ended June 30, 2010.

Revenue for the three months ended June 30, 2011 exceeded that of the three months ended March 31, 2011 by $4.5 million (normalized up $3.2 million).

The following table summarizes the impact the strategic growth through acquisition, the organic growth for the three and six months ended June 30, 2011.

	Three months ended June 30, 2011 vs. 2010		Six months ended June 30, 2011 vs. 2010	
	$ million	%	$ million	%
Acquisition growth	7.7	11.0	17.0	12.3
Organic growth	6.4	9.2	8.2	6.0
Total growth before foreign exchange	14.1	20.2	25.2	18.3
Impact of foreign exchange	(1.6)	(2.3)	(3.0)	(2.2)
Total increase in revenue	12.5	17.9	22.2	16.1

Revenue from strategic growth through acquisitions/mergers was approximately $7.7 million (11.0%) for the three months ended June 30, 2011. This strategic growth was generated through additional revenues resulting from the acquisition/merger of Nightingale in June of 2010, CSM in the fourth quarter of 2010, and CHBA and Bay Architects in the first quarter of 2011. Organic growth for the three months ended June 30, 2011 was up $6.4 million (9.2%) when compared with the three months ended June 30, 2010.

The overall growth in activity was accomplished through a 15.1% increase in the average number of staff from 2,333 during the three months ended June 30, 2010 to 2,685 during the three months ended June 30, 2011. The number of staff as of June 30, 2011 was 2,764 (including CRJA), up from 2,547 as of June 30, 2010.

Expenses

Salaries, fees and employee benefits for the three months ended June 30, 2011 were up $7.3 million (15.3%) to $55.2 million compared with $47.9 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, salaries, fees and employee benefits were up $13.7 million (14.5%) to $108.2 million compared to $94.5 million for the six months ended June 30, 2010. This increase was the result of the growth in staff levels and increased wages. Salaries, fees and employee benefits as a percentage of revenue for the three months ended June 30, 2011 were 67.1% compared with 68.7% for the three months ended June 30, 2010. For the six months ended June 30, 2011, salaries, fees and employee benefits as a percentage of revenue were 67.6% compared with 68.6% for the six months ended June 30, 2010. These percentages demonstrate a continuing reduction in the percentage of compensation costs to revenue, IBI anticipates continued improvement to reach the targeted range of 64% to 65%.

Other cash operating costs (other than interest) for the three months ended June 30, 2011 were up $1.8 million (14.2%) to $14.5 million compared with $12.7 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, other cash operating costs (other than interest) were up $3.8 million (15.5%) to $28.5 million compared to $24.7 million for the six months ended June 30, 2010. As a percentage of revenue, other operating costs (other than interest) for the three months ended June 30, 2011 were 17.6% compared with 18.2% for three months ended June 30, 2010. For the six months ended June 30, 2011, other cash operating costs as a percentage of revenue were 17.8% compared with 17.9% for the six months ended June 30, 2010.

Foreign exchange loss (gain) for the three months ended June 30, 2011 was a loss of $0.1 million compared with a gain of $0.4 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, there was a foreign exchange loss of $0.3 million compared to $0.1 million gain for the six months ended June 30, 2010. These foreign exchange gains and losses arose on the translation of certain foreign-denominated assets and liabilities held in the Company's Canadian subsidiaries. The Company works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended June 30, 2011 was down $0.3 million to $2.6 million compared with $2.9 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, amortization was down $0.3 million to $5.3 million compared with $5.6 million for the six months ended June 30, 2010. Amortization for the three months ended June 30, 2011 on client relationships, contracts and non-competition provisions was $1.9 million compared with $2.0 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, amortization expense on client relationships, contracts and non-competition provisions was $3.8 million compared with $3.9 million for the six months ended June 30, 2010.

Income taxes of the Company for three months ended June 30, 2011 were up $0.4 million to $1.3 million compared with $0.9 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, income tax expense was up $4.5 million to $5.4 million compared with $0.9 million for the six months ended June 30, 2010. Current tax expense for the three months ended June 30, 2011 was up $0.3 million to $1.5 million, compared with $1.2

million for the three months ended June 30, 2010. For the six months ended June 30, 2011, current tax expense was up $1.6 million to $3.2 compared to $1.6 for the six months ended June 30, 2010. This reflects the company change to a taxable corporation. Deferred tax recovery of $0.3 million was equal to a recovery of $0.3 million over the three month period ended June 30, 2010. For the six months ended June 30, 2011, deferred tax expense increased by $2.9 million to $2.2 million from a deferred tax recovery of $0.7 million for the six months ended June 30, 2010. The increase in deferred tax is due to a one-time tax charge on January 1, 2011 to revalue the company's deferred taxes using the corporation's standard tax rate.

Net earnings of the Company of $4.7 million for the three months ended June 30, 2011 decreased $7.0 million. The decrease is directly related to IFRS requirement to include in income in the three months ended June 30, 2010 $8.4 million in fair value gains and other finance costs. The $8.4 million is comprised of a $10.9 million fair value gain on the trust units liability, a $4.3 million fair value gain on the exchangeable interest liability, and a $0.4 million fair value gain on the derivative liability embedded in the convertible debentures, offset by the requirement to expense the distribution by the Fund to unitholders of $5.1 million and the distribution to the exchangeable interest holders of $2.0 million. For the six months ended June 30, 2011, net earnings of the Company decreased $48.0 million. The decrease is directly related to IFRS requirement to include in income in the six months ended June 30, 2010 $45.6 million in fair value gains and other finance costs. The $45.6 million is comprised of a $40.8 million fair value gain on the trust units liability, a $16.0 million fair value gain on the exchangeable interest liability, and a $3.1 million fair value gain on the derivative liability embedded in the convertible debentures, offset by the requirement to expense the distribution by the Fund to unitholders of $10.2 million and the distribution to the exchangeable interest holders of $4.1 million. This accounting treatment was only for 2010 under IFRS and therefore is not applicable following the Company's conversion to a corporation. In addition, the decrease in net earnings is due to an increase in income taxes of $4.6 million post conversion.

Adjusted Net Earnings[1] attributable to owners of the Company for the three months ended June 30, 2011 was $3.4 million or $0.2607 per Share compared with $2.4 million or $0.1862 per Unit[2] for the three months ended June 30, 2010. Adjusted Net Earnings[1] attributable to the owners of the Fund for the three months ended June 30, 2010 was calculated by removing the $8.4 million of IFRS impacts on fair value gains and other finance costs from reporting net earnings and accounting for $0.9 million attributable to exchangeable interest holders. For the six months ended June 30, 2011, Adjusted Net Earnings[1] attributable to owners of the Company was $5.9 million or $0.4571 per Share compared with $5.5 million or $0.4276 per Unit[2] for the six months ended June 30, 2010. Adjusted Net Earnings[1] attributable to the owners of the Company for the six months ended June 30, 2011 add back the one-time non-cash deferred tax charge of $3.1 million associated with the conversion to a corporation net of amount attributable to non-controlling interest. Adjusted Net Earnings[1] attributable to the owners of the Fund for the six months ended June 30, 2010 was calculated by removing the $45.6 million of IFRS impacts on

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

(2) 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 is a non IFRS measure.

fair value gains and other finance costs from reporting net earnings and accounting for $2.1 million attributable to exchangeable interest holders.

EBITDA[1] for the three months ended June 30, 2011 was $12.7 million, up $2.9 million (29.6%) from $9.8 million for the three months ended June 30, 2010. As a percentage of revenue, EBITDA[1] for the three months ended June 30, 2011, was 15.4%, an increase of 1.4% over the three months ended June 30, 2010. For the six months ended June 30, 2011, EBITDA[1] was $23.4 million, up $4.2 million (21.9%) from $19.2 million for the six months ended June 30, 2010. As a percentage of revenue, EBITDA[1] for the six months ended June 30, 2011, was 14.6%, an increase of 0.7% over the six months ended June 30, 2010.

Distributable Cash[2]

in thousands of dollars except for per Share and per Unit amounts and ratios	Three months ended June 30, 2011 (Unaudited)	Three months ended June 30, 2010 (Unaudited)	Six months ended June 30, 2011 (Unaudited)	Six months ended June 30, 2010 (Unaudited)
Cash flow from (used in) operating activities	$(17,822)	$ 5,661	$ (14,817)	$ 656
Less: Capital expenditures	(607)	(865)	(1,197)	(1,325)
Standardized distributable cash	$(18,429)	$ 4,796	$ (16,014)	$ (669)
Add (deduct):				
Change in non-cash operating working capital	23,554	710	24,949	12,037
Deferred transaction costs	385	88	505	175
Acquisition-related costs	402	655	620	720
Current income tax expense	1,548	1,209	3,200	1,559
Exchange (gain) loss	66	(433)	284	(117)
Distributable cash[1]	$ 7,526	$ 7,025	$ 13,544	$ 13,705
Weighted average basic and diluted distributable cash per Share (Unit in 2010)[1]	$ 0.4183	$ 0.3936	$ 0.7535	$ 0.7688
Aggregate of dividends and Class B partnership distributions in 2011 and aggregate distributions in 2010	$ 5,814	$ 7,187	$ 10,723	$ 14,291
Aggregate of dividends and Class B partnership distributions in 2011 and aggregate distributions in 2010 per Share (Unit in 2010)[2]	$ 0.3231	$ 0.3999	$ 0.5965	$ 0.7998
Payout ratio	77.3%	101.6%	79.2%	104.0%

(1) See "Definition of Adjusted Net Earnings, EBITDA, Distributable Cash and Non-IFRS Measures"
(2) Distributable cash per Share amounts (units in 2010) are calculated by including both the common shares of the Company and the Class B partnership units in the denominator in 2011 and the Units of the Fund and the Class B partnership units of the Fund in 2010 which is a non-IFRS measure.

On January 21, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at January 31, 2011, which was paid on February 28, 2011.

On February 17, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at February 28, 2011, which was paid on March 31, 2011.

On March 22, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at March 31, 2011 which was paid on April 29, 2011.

On April 19, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at April 29, 2011, which was paid on May 31, 2011.

On May 19, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at May 31, 2011 which was paid on June 30, 2011.

On June 17, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at June 30, 2011, which was paid on July 29, 2011.

In addition to the above noted dividends to shareholders, IBI Group Partnership makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. The Class B unitholder distribution for the month of March 2011 was postponed to ensure that the limit of 100% payout ratio was respected, due to the first quarter working days being 62 days as compared to an average of 63 days per month. In fact, the results did allow for the distribution, of the amount due of $0.7 million that would have resulted in a total dividend plus distributions of $5.6 million and a payout ratio of 96.1%. During the second quarter, the full Class B unitholder distributions were made for the three months. In addition, one-third of the distribution for the month March which was withheld in the first quarter was paid in the second quarter. The full distribution amounts are included in the calculation of distributable cash.

Liquidity and Capital Resources

The following table represents the working capital information as at June 30, 2011 compared to December 31, 2010:

in thousands of dollars	June 30, 2011	December 31, 2010	$ Change
Current assets	260,426	234,959	25,467
Current liabilities	(125,462)	(142,289)	16,827
Working capital	134,964	92,670	42,294

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

Current assets have increased by $25.5 million as at June 30, 2011 as compared with December 31, 2010. This is the result of the increase in cash and cash equivalents of $1.0 million, an increase in accounts receivable of $7.8 million, and an increase in work in process of $16.7 million. Current liabilities have decreased $16.8 million as at June 30, 2011 as compared with December 31, 2010. The decrease in current liabilities was the result of the repayments of term debt of $9.7 million, a decrease in the amount due to Management Partnership, a related party, of $5.1 million reflecting a $6.0 million payment on the amount due offset by $0.9 million change in accrued distribution due.

The amount of working capital tied up in accounts receivable, work in process and deferred revenue measured in the equivalent numbers of working days increased to 177 days as at the end of the second quarter of 2011 from 167 days equivalent at end of first quarter of 2011. During the period of the recession, the working capital tied up rose from the equivalent of 180 working days in the fourth quarter of 2009 up to 195 days in second quarter of 2010. Significant progress has been made in reducing this working capital tied up with the reduction down to 175 days in fourth quarter of 2010, 167 days as at March 31, 2011. The increase of the equivalent of 10 days in the second quarter of 2011 is the result of the start of numerous new projects, including some large assignments. The increase in accounts receivable is primarily in current and recent accounts. The increase in work in progress largely arises from this increase in numerous new projects. Management continues to its commitment to strive to reduce the total working capital tied up measured in working days to 140 days through 2012.

Working days of revenue outstanding	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
Accounts receivable	117	114	111	99	107
Work in process	90	75	75	79	82
Deferred revenue	(12)	(11)	(11)	(11)	(12)
Total	195	178	175	167	177

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

in thousands of dollars	Three months ended June 30, 2011	Three months ended June 30, 2010	$ Change
Cash flows from (used in) operating activities	(17,822)	5,661	(23,483)
Cash flows from financing activities	12,952	15,917	(2,965)
Cash flows used in investing activities	(607)	(14,405)	13,798

in thousands of dollars	Six months ended June 30, 2011	Six months ended June 30, 2010	$ Change
Cash flows from (used in) operating activities	(14,817)	656	(15,473)
Cash flows from financing activities	24,908	22,936	1,972
Cash flows used in investing activities	(8,605)	(15,612)	7,007

Cash used in operations for the three months ended June 30, 2011 was $17.8 million. This compares to positive cash flow from operations of $5.7 million for the three months ended June 30, 2010 for a net change of $23.5 million. For the six months ended June 30, 2011, cash used in operations was $14.8 million. This compares to a positive cash flow from operations of $0.7 million for the six months ended June 30, 2010 for a net change of $15.5 million. This is primarily due to a change in net working capital resulting from the increase of accounts receivable and work in progress due to a significant increase in the number of projects.

Cash flows from financing activities for the three months ended June 30, 2011 was $13.0 million compared with $15.9 million for the three months ended June 30, 2010. This decrease was due to lower financing provided by term debt in the second quarter compared to the financing provided by both the issuance of convertible debentures and term debt in the second quarter of 2010. For the six months ended June 30, 2011, cash flows from financing activities were $24.9 million compared to $22.9 million for the six months ended June 30, 2010. This increase was the result of convertible debentures issuance of $54.6 million which was offset by repayment of term debt of $9.7 million and repayment of advances from Management Partnership of $6.0 million in the six month period. This compares to the convertible debentures issuance of $19.0 million, the repayment of term debt of $5.1 million, and advances taken from Management Partnership of $25.9 million for the six months ended June 30, 2010.

Cash flows used in investing activities for the three months ended June 30, 2011 was $0.6 million as compared to $14.4 million for the three months ended June 30, 2010. Capital expenditures during the three months ended June 30, 2011 was $0.6 million compared with $0.9 million for the same period in 2010. No cash was paid on acquisitions during the three months ended June 30, 2011 as compared to $13.5 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, cash flows used in investing activities was $8.6 million as compared to $15.6 million for the six months ended June 30, 2010. Capital expenditures during the six months ended June 30, 2011 was $1.2 million compared with $1.3 million for the same period in 2010. Cash paid on acquisitions for the six months ended June 30, 2011 was $7.4 million as compared to $14.3 million for the six months ended June 30, 2010.

As at June 30, 2011, IBI Group had credit facilities totalling $150.0 million, consisting of a $10.0 million swing facility (the “Swing Facility”), an $80.0 million term facility (the “Term Facility”), and a $60.0 million revolver facility (the “Revolver Facility”). 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 August 31, 2012.

The Swing Facility and the Revolver Facility are revolving facilities to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at June 30, 2011, IBI Group had borrowings of $3.0 million under the Swing Facility and $22.0 balance under the Revolver Facility, compared with $4.7 million under the Swing Facility and $30.0 million of borrowings under the Revolver Facility as at December 31, 2010.

The Term Facility is a non-revolving facility to be used by IBI Group to repay existing Debt to the lender. As at June 30, 2011, IBI Group had borrowings of $48.1 million (December 31, 2010 – $48.9 million) under the Term Facility.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 million continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at June 30, 2011, IBI Group had issued bid bonds in the amount of $9.3 million (December 31, 2010 – $9.3 million) under the Bid Bond Facility.

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

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

The Company seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. The Company has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Company will then raise equity through a public offering, using the proceeds to reduce the bank debt. During the first quarter, the Company issued $57.5 million of convertible debentures.

The Company is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio, payout ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at June 30, 2011, the Company was in compliance with all covenants under its credit facilities.

Subsequent to June 30, 2011, the Company negotiated a new credit facility. As the result of the closing of the new credit facility, the $10.0 million swing facility, the $80.0 million term facility and the $60.0 million revolver facility is replaced by a $120.0 revolving credit facility, which includes:

1) $120.0 million revolver facility; and

2) $80.0 million accordion feature.

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	2nd Qtr 2011 Unaudited IFRS	1st Qtr 2011 Unaudited IFRS	4th Qtr 2010 Unaudited IFRS	3rd Qtr 2010 Unaudited IFRS	2nd Qtr 2010 Unaudited IFRS	1st Qtr 2010 Unaudited IFRS	4th Qtr 2009 Unaudited PCAS	3rd Qtr 2009 Unaudited PCAS
Revenue	$ 82,301	$ 77,785	$ 75,763	$ 76,770	$ 69,790	$ 68,075	$ 68,194	$ 68,783
Net Earnings (Loss)	4,692	389	18,521	(15,882)	11,702	41,505	(1,693)	3,693
Changes in fair value and other Finance Costs	188	(66)	(14,101)	20,541	(8,407)	(37,373)	-	-
Non-controlling interest	-	-	-	-	-	-	(667)	1,466
Interest expense, net	3,434	3,115	2,995	2,816	2,446	2,231	2,605	1,900
Income taxes expense (recovery)	1,285	4,145	(1,111)	1,102	876	1	62	1,166
Amortization of property and equipment and intangible assets	2,603	2,729	2,623	2,875	2,930	2,697	3,001	3,552
Impairment of goodwill and intangibles	-	-	-	-	-	-	3,039	-
Acquisition-related costs	402	218	182	57	655	65		
Foreign exchange (gain) loss	65	218	250	131	(433)	316		
Purchase price adjustment	-	-	1,551	-	-	-	2,346	-
Earnings before income taxes, interest and amortization (EBITDA[1])	12,669	10,748	10,910	11,640	9,769	9,442	8,693	11,777
EBITDA[1] as a percentage of Revenue	15.4%	13.8%	14.4%	15.2%	14.0%	13.9%	12.7%	17.1%
Distributable Cash[1] reconciliation								
Cash flow from (used in) operating activities	(17,822)	3,005	7,327	3,319	5,661	(5,005)	(6,070)	1,361
Less capital expenditures	(607)	(590)	(431)	(515)	(865)	(460)	(526)	(395)
Standardized Distributable Cash[1]	(18,429)	2,415	6,896	2,804	4,796	(5,465)	(6,596)	966
Add (deduct):								
Change in non-cash operating working capital	23,554	1,395	(977)	2,607	710	11,327	12,938	6,891
Deferred financing costs	385	120	144	106	88	87	-	-
Acquisition-related costs	402	218	1,733	57	655	65	-	-
Current income tax expense	1,548	1,652	(377)	2,089	1,209	350	(780)	1,625
Foreign exchange (gain) loss	66	218	250	131	(433)	316		
Income taxes (paid) recovered	-	-	-	-	-	-	(986)	(868)
Distributable Cash	7,526	6,018	7,669	7,794	7,025	6,680	4,576	8,614
Basic and diluted Distributable Cash per Share and Partnership Unit in 2011 and Units in 2010[2]	0.4183	0.3352	0.4276	0.4352	0.3936	0.3751	0.2576	0.4872
Basic and diluted aggregate dividends declared per share in 2011 and per Units in 2010	0.3231	0.2734	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999
Payout ratio	77.3%	81.6%	93.5%	91.9%	101.6%	106.6%	155.3%	82.1%
Personnel – average	2,685	2,579	2,502	2,558	2,333	2,235	2,237	2,227
Personnel – quarter end	2,764	2,592	2,484	2,534	2,547	2,252	2,230	2,242

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

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

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 79 partners of the Management Partnership. This amount was $5.4 million for the three months ended June 30, 2011 (three months ended June 30, 2010 - $4.7 million) and $10.6 million for the six months ended June 30, 2011 (six months ended June 30, 2010 - $8.6 million).

- IBI Group makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. The Class B partnership unitholders are the partners of the Management Partnership. As at June 30, 2011 the amount of distributions payable to the Management Partnership was $1.6 million (As at December 31, 2010 - $0.7 million).

- During the first quarter of 2010, Management Partnership advanced $26.0 million to IBI Group. The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's indebtedness to its bank lender and is unsecured. The loan matures two years following the original issuance of the promissory note evidencing the loans. In February 2011, IBI Group repaid $6.0 million of the advance, with a balance of $20.0 million remaining of the advance.

- Prior to March 11, 2010, IBI Group leased its Toronto office space from a corporation which is indirectly owned by the partners of the Management Partnership. The leases were entered into in 2002 at then current market rates of approximately $1.8 million per annum. Effective April 1, 2009, IBI Group leased approximately 14,200 square feet of additional space under these leases at then current market rates, bringing the total annual lease payments under these leases to approximately $2.8 million.

  On March 11, 2010, the buildings were sold to an outside party. As a result of this transaction, IBI Group extended its lease until December 31, 2013 and maintained the current market rental rates that it had been paying for premises. As the related party transaction ceased in 2010, there were no payments under the leases to related parties in 2011 (No payments in three months ended June 30, 2010; six months ended June 30, 2010 - total payments were approximately $0.5 million).

Subsequent Transactions

On July 29, 2011, the company closed a new 5 year $120 million credit facility with an $80 million accordion feature. This reflects the policy of the Company to use bank debt for operating purposes and for interim financing for acquisitions. Pursuant to this policy, the Company will replace bank debt with longer term debt at fixed interest rates including debt through bonds, convertible debentures and other instruments.

The new facility has advantages to the Company including:

1) Reduced interest cost;

2) Greater flexibility in terms of guarantees and documentation required for non-material acquisitions;

3) Reduced financial covenants;

4) Reduced standby fee on the $120.0 million committed;

5) Enhanced capacity for acquisitions, of an additional $80.0 million to a total of $200.0 million; and

6) Providing for greater flexibility as the extended 5 year maturity date will extend past the December 31, 2014 due date of the $46.0 million convertible debentures.

This new facility replaces the existing $150.0 million credit facility which was to mature August 31, 2012.

Accounting Developments

Recently issued but not yet adopted accounting pronouncements:

- **IFRS 7 – Financial Instruments – Disclosures**

  On October 7, 2010, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures*, which increase the disclosure requirements for transactions involving the transfer of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment to its first interim condensed consolidated financial statements in 2012. The Company is currently assessing the effects of the amendments.

- **IAS 12 – Deferred tax**

  On December 20, 2010 the IASB issued amendments to IAS 12, *Income Taxes* ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value, effective for annual periods beginning on or after January 1, 2012. The Company does not hold investment property and does not plan to in the future, therefore the amendment to the standard will likely not affect its financial reporting.

- **IFRS 13 - Fair Value Measurement**

  In May 2011, the IASB 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 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

- **IAS 19 - Employee Future Benefits**

  In June 2011, the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income ("OCI"), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues, and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company does not have actuarial gains and losses or perform pension accounting, and does not plan to in the near future, therefore the amendment to the standard will likely not affect its financial reporting.

- **IAS 1 - Presentation of Financial Statements**

  In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1") to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

- **Other accounting standards to be adopted for the years beginning on or after January 1, 2013**

  A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2011, and have not been applied in preparing the interim condensed consolidated financial statements. These standards become effective for the 2013 fiscal year and the extent of their impact on the consolidated financial statements of the Company has not yet been assessed. The new standards that have been issued are IFRS 9, Financial Instruments, which is expected to impact the classification and measurement of financial assets; IFRS 10, Consolidated Financial Statements, establishing principles for the presentation and preparation of consolidated financial statements; IFRS 11, Joint Arrangements, which sets out principles for the financial reporting of joint arrangements; and finally, IFRS 12, Disclosure of Interests in Other Entities, to address an interest in a subsidiary, a joint arrangement, as associate or an unconsolidated structured entity.

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 its year ended December 31, 2010. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

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

Adjusted Net Earnings is equal to the Net earnings for the period plus distributions treated as an expense and fair value adjustments on Trust Units and exchangeable interest liabilities.

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

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

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