



**AltusGroup**

The leading provider of  
independent real estate consulting  
and real estate software applications  
and data solutions.

**Q1**

**FIRST QUARTER REPORT 2013  
for the three months ended March 31, 2013**

**SHAREHOLDERS' REPORT**



# Altus Group Limited



## Management's Discussion & Analysis

March 31, 2013

*The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited (the "Company" or "Altus"), its business environment, strategies, performance and the risk factors of Altus. It should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "financial statements") for the three months ended March 31, 2013, which have been prepared on the basis of International Financial Reporting Standards ("IFRS") and reported in Canadian dollars. Unless otherwise indicated herein, references to "\$" are to Canadian dollars.*

*Unless the context indicates otherwise, all references to "we", "us", "our" or similar terms refer to Altus Group Limited, and, as appropriate, our consolidated operations.*

*This MD&A is dated as of May 7, 2013.*

### Forward-Looking Information

Certain information in this MD&A may constitute "forward-looking information" within the meaning of applicable securities legislation. Generally, forward-looking information can be identified by use of words such as "may", "will", "expect", "believe", "plan", "would", "could" and other similar terminology. Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors which could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include: general state of the economy; competition in the industry; ability to attract and retain professionals; integration of acquisitions; dependence on oil and gas sector; dependence on Canadian multi-residential market; customer concentration; currency risk; interest rate risk; reliance on larger software transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change and develop products on a timely basis; ability to maintain profitability and manage growth; revenue and cash flow volatility; credit risk; protection of intellectual property or defending against claims of intellectual property rights of others; weather; fixed-price and contingency engagements; operating risks; performance of obligations/maintenance of client satisfaction; appraisal mandates; legislative and regulatory changes; risk of future legal proceedings; insurance limits; income tax matters; ability to meet solvency requirements to pay dividends; leverage and restrictive covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders' interests, as well as those described in our publicly filed documents, including the Annual Information Form (which are available on SEDAR at [www.sedar.com](http://www.sedar.com)). Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances. Additionally, we undertake no obligation to comment on analyses,

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expectations or statements made by third parties in respect of Altus, our financial or operating results, or our securities.

### Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

**Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA"),** represents operating profit (loss) adjusted for the effect of amortization of intangibles, depreciation of property, plant and equipment, acquisition-related expenses (income), restructuring costs, share of profit or loss of associate, unrealized foreign exchange gains (losses), gains (losses) on sale of property, plant and equipment, gains (losses) on sale of business assets, impairment charges, Executive Compensation Plan costs, gains (losses) on hedging transactions and other expenses or income of a non-operating and/or non-recurring nature. Refer to page 12 for a reconciliation of Adjusted EBITDA to our financial statements.

**Adjusted Earnings (Loss) per Share, ("Adjusted EPS"),** represents basic earnings per share adjusted for the effect of amortization of intangibles acquired as part of business acquisitions, non-cash finance costs (income) related to the revaluation of amounts payable to unitholders, distributions related to amounts payable to unitholders, acquisition-related expenses (income), restructuring costs, share of profit or loss of associate, unrealized foreign exchange gains (losses), gains (losses) on sale of property, plant and equipment, gains (losses) on sale of business assets, interest accretion on vendor payables, gain (loss) on settlement of US convertible debentures (as defined herein), impairment charges, Executive Compensation Plan costs, gains (losses) on hedging transactions and other expenses or income of a non-operating and/or non-recurring nature. All of the adjustments are made net of tax. Refer to page 14 for a reconciliation of Adjusted EPS to our financial statements.

### Overview of the Business

We are a leading provider of independent real estate consulting and real estate software applications and data solutions. We conduct our business through five business units: Research, Valuation & Advisory; Cost Consulting & Project Management; Realty Tax Consulting; Geomatics; and Argus Software. Each business unit is considered a leader within its specific market. Our clients include banking institutions, pension funds, insurance companies, accounting firms, public real estate organizations (including real estate investment trusts) and industrial companies, as well as foreign and domestic private investors, asset and fund managers, real estate developers, governmental institutions and firms in the oil and gas sector. We operate in four geographic regions: Canada, the United States (the "US"), the United Kingdom (the "UK") and the Asia Pacific region ("Asia Pacific").

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### *Research, Valuation & Advisory ("RVA")*

The valuation of office, retail, industrial and multi-residential properties occurs on a regular basis in the real estate industry as a result of acquisitions, dispositions, new financings, covenants of existing financings, expropriation and/or litigation, IFRS requirements and general portfolio management. Research is central to the valuation process and research-based product offerings are becoming significant complements to our service portfolio. RVA offers database management, analysis of lease and sale transaction data and provision of customized services, such as impact analysis of mergers on office space demand, consolidation of tenant rosters and lease expiry schedules, feasibility analysis, occupancy strategies, asset benchmarking and vacancy forecasts. In the US, RVA offers appraisal management services, which includes advising clients develop a robust valuation process as well as administering the actual process of selecting third party appraisers, coordinating information flow, reviewing appraisals and providing valuation data reporting. This process is supported by proprietary technology applications, DataBridge and DataExchange, that allow us to track a number of appraisal parameters and assumptions on a broad range of properties giving us the ability to provide clients with peer benchmark data and independent advice; a key differentiator in the marketplace.

### *Cost Consulting & Project Management ("Cost")*

Accurate and reliable cost consulting and project management is integral to the financial success of a capital development project. Given the significant fluctuation in construction and development costs, property developers and owners rely on cost consulting specialists to obtain the most efficient cost structure for their property development projects and to understand and manage the risks associated with the development cost side of real estate. In addition, within the cost consulting group, services such as physical condition assessments and infrastructure services assist clients with ongoing solutions to develop and maintain the long-term financial stability of their assets, both vertical and linear. Project management covers the four main phases of a development project: initiation and concept; planning and development; implementation and execution; and handover and evaluation.

### *Realty Tax Consulting ("Realty Tax")*

Property tax is typically the largest cost in property ownership after debt-service. Realty tax regimes vary significantly between provincial, state and local jurisdictions. Given the magnitude and complexity of this expense, property managers and owners are increasingly seeking professional expertise to manage and help reduce operating costs across multiple jurisdictions. Equipped with a full spectrum of real estate tax consulting services primarily in North America and the UK, this unit includes assessment appeal (including expert witness) services, tax due diligence, vacancy rebate counsel, new construction/preliminary property assessment studies as well as on-going property tax management and budgeting.

### *Geomatics*

Geomatics is the practice of recording and managing spatially referenced information, including land surveying, geographic information systems ("GIS"), global positioning systems ("GPS") and light detection and ranging ("LIDAR"). Land surveys and geomatics services are fundamental to the ownership and management of land: setting property boundaries, confirming route and corridor selection, land settlement surveys, mapping, construction and well site surveys, and oilfield surveys. This team of professionals, based in Western Canada, is engaged primarily in exploration and development

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activity in the oil and gas sector, as well as in pipeline and utility corridors, land development and municipal sectors.

### *Argus Software*

Argus Software offers software and solutions for analysis and management of commercial real estate investments. Clients depend on Argus software to support critical business processes and decisions, including real estate asset management, valuation, portfolio management, budgeting, forecasting, reporting and lease management solutions.

### *Business Focus*

The depth and diversity of our service and technology offerings continue to be important parts of our strength as a business; our clients benefit from our multiple services, software and solutions and provide us with a broad set of data that offers a unique perspective into our markets. We are using these strengths to bolster our individual practices and also reach across the business units to leverage our expertise and drive additional business.

In our pursuit of increasing shareholder value, we are focused on the following key strategic initiatives:

- Continue to strengthen our balance sheet to ensure additional financial flexibility going forward.
- Increase the level of rigour within each business unit with established goal-oriented metrics and an updated strategic plan to further engage employees.
- Leverage our existing software platform and broader data assets to provide value-added technology solutions, enhance our professional service offerings and achieve cross business unit synergies.

Our strategic investments in US appraisal management and tax services continue to generate positive returns. This market offers significant growth opportunities for our services as our current penetration is modest relative to the size of the opportunity. We plan to increase our presence in the US in order to capture more business and grow profitability.

We have a solid core of stable businesses supported by skilled employees that operate across a range of service and technology offerings. We are strengthening these individual businesses through improved operational execution, innovation and enhanced employee engagement. Under a 'One Altus' program, our goal is to deliver an enhanced go to market strategy, providing integrated solutions to our leading clients in order to help them maximize the value of their real estate portfolios and deepen our trusted relationships.

Ongoing development of our software and data offerings will continue to differentiate us in the marketplace and position us to offer clients informed advice in the increasingly important management of complex and changing real estate environment. Our intelligence platform provides clients with tools to facilitate aggregation, analysis, exchange and re-purposing of data that empower their decision-making processes. With additional functionality, these products become more comprehensive in scope and generate multi-phase relationships with our clients that produce longer-term engagements, new product

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offerings and opportunities for more sustainable growth. These products are expected to result in an increased market penetration and additional opportunities to add value for our clients.

### Operating Highlights

Revenue from professional services is fee-based and we are typically engaged on either an hourly-based, fixed-price or contingency-based arrangement. We are usually retained on a project-by-project basis, although some clients have annual or multi-year arrangements for the provision of services. Revenue generated from software sales is based on license fees, support and maintenance fees and/or related training and consulting services.

Our largest operating expense is compensation, including salaries, performance-based bonuses, benefits and payroll taxes.

Selected Financial Information	For the three months ended March 31,	
	2013	2012
<i>In thousands of dollars, except for per share amounts</i>		
<b>Operations</b>		
Revenues	\$ 76,154	\$ 86,178
Adjusted EBITDA	12,253	13,863
Operating profit (loss)	11,724	8,691
Profit (loss)	6,843	2,868
Earnings (loss) per share:		
Basic	\$0.30	\$0.12
Diluted	\$0.26	\$0.09
Adjusted	\$0.25	\$0.27
Dividends declared per share	\$0.15	\$0.15

	At March 31, 2013	At December 31, 2012
<b>Balance sheet</b>		
Total assets	\$ 419,750	\$ 418,039
Long-term liabilities (excluding deferred income taxes)	218,206	218,506

We continue to focus on each of our core business units to improve operational performance, reduce low margin activity and the associated revenue, and invest in growth areas. The results in the quarter reflect the transition to this emphasis on operational performance.

Revenues were \$76.2 million for the three months ended March 31, 2013, down 11.6% or \$10.0 million from \$86.2 million in the same period in 2012. Strong revenue growth experienced in Argus Software and North America RVA was offset by lower revenues from North America Cost, North America Geomatics and Asia Pacific Cost.

We have made Argus a focus for operational improvement. We saw revenues from Argus Software strengthen on positive market reception of new versions of Argus Enterprise and enhanced sales

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effectiveness resulting from our restructuring activities. North America RVA revenues showed growth resulting from continued new client acquisitions in the appraisal management business in the US. Revenues were down in North America Cost and Asia Pacific Cost as a result of transitioning away from lower margin business. North America Geomatics results reflected continued strong activity in Northern Alberta, offset by weather delays that impacted work in both Saskatchewan and Manitoba along with reduced activity in Southern Alberta.

Adjusted EBITDA was \$12.3 million for the three months ended March 31, 2013, down 11.6% or \$1.6 million from \$13.9 million in the same period in 2012. Higher earnings from Argus Software and North America RVA were offset by declines in North America Geomatics, North America Cost, North America Realty Tax and Asia Pacific Cost. The reduction in earnings also reflected investments in staffing to further expand North America Realty Tax into the US market and North America Cost into Western Canada.

Operating profit (loss) for the three months ended March 31, 2013 was \$11.7 million and included \$1.1 million in restructuring costs and a \$5.3 million gain on sale of Altus Residential Limited ("ARL").

### *Restructuring of Argus Software*

During the three months ended March 31, 2013, we undertook restructuring activities within Argus Software. Argus has recognized immediate benefits from these changes, demonstrated this quarter, and under new leadership is focused on continuous improvement in profitability, enhanced sales effectiveness and stronger execution of a redefined development roadmap. In connection with the restructuring, a total charge of \$1.1 million was recorded in the quarter and related primarily to employee severance costs.

### *Sale of shares in Altus Residential Limited*

Effective January 1, 2013, we sold our 100% interest in ARL to Real Matters Inc. ("Real Matters") for consideration of \$8.2 million, subject to adjustments. The purchase price was settled through the issuance of additional Real Matters common shares, which increased our equity interest in Real Matters from 19.0% to 25.7%. An accounting gain of \$5.3 million was recorded on the transaction. As a result of the ARL sale, the asset relating to the Referral and Services Agreement between ARL and Real Matters was transferred to Real Matters and trade and other receivables were reduced by the unamortized prepayment of \$2.9 million at the time of sale. ARL was a wholly owned subsidiary, providing single-family residential appraisal management services on a fixed-fee basis.



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### Discussion of Operations

<i>In thousands of dollars, except for per share amounts</i>	Three months ended March 31,	
	2013	2012
<b>Revenues</b>		
Revenues	\$ 76,154	\$ 86,178
Less: disbursements	7,297	12,638
Net revenues	68,857	73,540
<b>Expenses</b>		
Employee compensation	45,743	47,769
Occupancy	3,540	3,218
Office and other operating	7,058	6,069
Depreciation and amortization	4,649	5,607
Acquisition related expenses (income)	210	-
Share of (profit) loss of associate	78	400
Restructuring costs	1,133	1,786
(Gain) loss on sale of certain business assets	(5,278)	-
<b>Operating profit (loss)</b>	<b>11,724</b>	<b>8,691</b>
Finance costs (income), net	3,943	5,230
<b>Profit (loss) before income tax</b>	<b>7,781</b>	<b>3,461</b>
Income tax expense (recovery)	938	593
<b>Profit (loss) for the period</b>	<b>6,843</b>	<b>2,868</b>

### Revenue by Business Segment

<i>In thousands of dollars</i>	Three months ended March 31,		
	2013	2012	% Change
North America RVA	\$ 18,664	\$ 17,455	6.9%
North America Realty Tax	15,173	14,447	5.0%
North America Cost	7,688	15,319	(49.8%)
North America Geomatics	15,794	18,371	(14.0%)
Argus Software	8,605	7,110	21.0%
UK	5,237	5,015	4.4%
Asia Pacific Cost <sup>(1)</sup>	5,054	8,545	(40.9%)
Eliminations	(61)	(84)	27.4%
<b>Revenues</b>	<b>\$ 76,154</b>	<b>\$ 86,178</b>	<b>(11.6%)</b>

<sup>(1)</sup> Includes Hawaii.

#### **North America RVA**

Revenue was \$18.7 million for the three months ended March 31, 2013, up 6.9% or \$1.2 million from \$17.5 million in the same period in 2012. Revenue growth was due to higher revenues in the US as a result of

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new client acquisitions in the appraisal management business. In Canada, we also had increased due diligence work.

### *North America Realty Tax*

Revenue was \$15.2 million for the three months ended March 31, 2013, up 5.0% or \$0.8 million from \$14.4 million in the same period in 2012. The first quarter of 2013 was the beginning of a four year assessment cycle for Ontario, resulting in higher billing of appeal fees reflected as increased billable disbursement revenue. Excluding the increase in billable disbursements of \$1.2 million, revenues were \$0.4 million lower than prior year. The decrease in revenues was due to lower revenues from Ontario, US and Manitoba on variability of contingency appeal settlements, partially offset by higher revenues in British Columbia.

### *North America Cost*

Revenue was \$7.7 million for the three months ended March 31, 2013, down 49.8% or \$7.6 million from \$15.3 million in the same period in 2012. Reduced revenues in North America Cost reflected a reduction in low value engagements and the sale of Altus Capital Planning in 2012.

### *North America Geomatics*

Revenue was \$15.8 million for the three months ended March 31, 2013, down 14.0% or \$2.6 million from \$18.4 million in the same period in 2012. Results reflected continued strong activity in Northern Alberta, offset by fewer available working days due to weather delays which impacted work in both Saskatchewan and Manitoba along with reduced activity in Southern Alberta.

### *Argus Software*

Revenue was \$8.6 million for the three months ended March 31, 2013, up 21.0% or \$1.5 million from \$7.1 million in the same period in 2012. Revenue growth was mainly due to higher license, maintenance and consulting revenues. Higher license and maintenance revenues were due to additional sales of analytical software, including Argus Enterprise.

### *UK*

Revenue was \$5.2 million for the three months ended March 31, 2013, up 4.4% or \$0.2 million from \$5.0 million in the same period in 2012. Revenue growth over prior year was mainly due to higher revenues in the Realty Tax business as management continued to improve operational effectiveness and increase the rate of case settlements with the local tax authorities.

### *Asia Pacific Cost*

Revenue was \$5.1 million for the three months ended March 31, 2013, down 40.9% or \$3.4 million from \$8.5 million in the same period in 2012. Lower revenues were mainly due to office closures undertaken in 2012 to enhance operational efficiencies and a reduced level of activity as a transition is being made to reposition the business to capture higher value client projects.

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### Operating Expenses

**Disbursements**, including subcontractor costs, represent expenses directly related to the provision of services to a client. Consistent with most professional services firms, these costs are billed back to the client. Disbursements were \$7.3 million for the three months ended March 31, 2013, down 42.3% or \$5.3 million from \$12.6 million in the same period in 2012. Lower disbursements were due to lower subcontractor costs relating to North America Cost, partially offset by higher appeal fees in North America Realty Tax. For the three months ended March 31, 2013, disbursements as a percentage of revenues decreased to 9.6% from 14.7% in the same period in 2012.

**Employee Compensation** was \$45.7 million for the three months ended March 31, 2013, down 4.2% or \$2.1 million from \$47.8 million in the same period in 2012. Lower employee compensation in Asia Pacific Cost and Argus Software were partially offset by higher expenses in North America Realty Tax and North America RVA due to additional headcount in the US. In addition, 2013 employee compensation included the benefit of a media tax credit and 2012 employee compensation included expenses related to Altus Capital Planning, which was sold at the end of the second quarter of 2012. For the three months ended March 31, 2013, employee compensation as a percentage of revenues increased to 60.1% from 55.4% in the same period in 2012.

**Occupancy** was \$3.5 million for the three months ended March 31, 2013, up 10.0% or \$0.3 million from \$3.2 million in the same period in 2012. Higher occupancy costs were due to higher expenses for North America Geomatics and lease termination costs. For the three months ended March 31, 2013, occupancy as a percentage of revenues increased to 4.6% from 3.7% in the same period in 2012.

**Office and Other Operating** costs were \$7.1 million for the three months ended March 31, 2013, up 16.3% or \$1.0 million from \$6.1 million in the same period in 2012. The increase was mainly due to lower foreign exchange gains and a \$1.5 million gain on the 2012 sale of properties occupied by North America Geomatics, partially offset by lower administrative and bad debt expenses. For the three months ended March 31, 2013, office and other operating costs as a percentage of revenues increased to 9.3% from 7.0% in the same period in 2012.

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### Adjusted EBITDA <sup>(1)</sup>

<i>In thousands of dollars</i>	Three months ended March 31,		
	2013	2012	% Change
North America RVA	\$ 5,032	\$ 3,742	34.5%
North America Realty Tax	3,298	4,032	(18.2%)
North America Cost	1,420	2,354	(39.7%)
North America Geomatics	3,143	5,849	(46.3%)
Argus Software	2,105	777	170.9%
UK	1,291	1,173	10.1%
Asia Pacific Cost <sup>(2)</sup>	125	628	(80.1%)
Corporate	(4,161)	(4,654)	10.6%
Eliminations	-	(38)	100.0%
<b>Adjusted EBITDA</b>	<b>\$ 12,253</b>	<b>\$ 13,863</b>	<b>(11.6%)</b>

<sup>(1)</sup> Refer to page 12 for a reconciliation of Adjusted EBITDA.

<sup>(2)</sup> Includes Hawaii.

#### *North America RVA*

Adjusted EBITDA was \$5.0 million for the three months ended March 31, 2013, up 34.5% or \$1.3 million from \$3.7 million in the same period in 2012. The increase in earnings was driven by revenue growth in the US from new client acquisitions and the benefit of a media tax credit of \$0.4 million recorded during the quarter.

#### *North America Realty Tax*

Adjusted EBITDA was \$3.3 million for the three months ended March 31, 2013, down 18.2% or \$0.7 million from \$4.0 million in the same period in 2012. The reduction in earnings reflected investments being made in new sales personnel and professional staff to expand the North America Realty Tax business into the US market with the opening of new offices.

#### *North America Cost*

Adjusted EBITDA was \$1.4 million for the three months ended March 31, 2013, down 39.7% or \$1.0 million from \$2.4 million in the same period in 2012. The decrease was due to lower revenues and investments in staffing to expand operations in Western Canada.

#### *North America Geomatics*

Adjusted EBITDA was \$3.1 million for the three months ended March 31, 2013, down 46.3% or \$2.7 million from \$5.8 million in the same period in 2012. The decrease in earnings resulted from lower revenues.

#### *Argus Software*

Adjusted EBITDA was \$2.1 million for the three months ended March 31, 2013, up 170.9% or \$1.3 million from \$0.8 million in the same period in 2012. The improvement in operational results was driven by the restructuring activities undertaken in the quarter, including increased sales and lower operational costs.

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### *UK*

Adjusted EBITDA was \$1.3 million for the three months ended March 31, 2013, up 10.1% or \$0.1 million from \$1.2 million in the same period in 2012. Higher earnings were primarily due to higher revenues in the Realty Tax business.

### *Asia Pacific Cost*

Adjusted EBITDA was \$0.1 million for the three months ended March 31, 2013, down 80.1% or \$0.5 million from \$0.6 million in the same period in 2012. The decrease in earnings was mainly driven by lower revenues, partially offset by lower employee compensation as a result of reduced headcount due to restructuring activities undertaken in 2012.

### *Corporate*

Corporate costs were \$4.2 million for the three months ended March 31, 2013, down 10.6% or \$0.5 million from \$4.7 million in the same period in 2012. The decrease in corporate costs was due to lower variable compensation costs.

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### Profit (Loss)

The following table provides a reconciliation between Adjusted EBITDA and profit (loss):

<i>In thousands of dollars</i>	Three months ended March 31,	
	2013	2012
<b>Adjusted EBITDA</b>	\$ 12,253	\$ 13,863
Depreciation and amortization	(4,649)	(5,607)
Acquisition related (expenses) income	(210)	-
Share of profit (loss) of associate	(78)	(400)
Unrealized foreign exchange gain (loss) <sup>(1)</sup>	371	1,410
Gain (loss) on sale of property, plant and equipment <sup>(1)</sup>	(6)	1,451
Gain (loss) on hedging transactions <sup>(1)</sup>	-	190
Gain (loss) on sale of certain business assets <sup>(2)</sup>	5,278	-
Executive Compensation Plan costs <sup>(3)</sup>	(102)	(55)
Restructuring costs	(1,133)	(1,786)
Other non-operating and/or non-recurring costs <sup>(4)</sup>	-	(375)
<b>Operating profit (loss)</b>	11,724	8,691
Finance (costs) income, net	(3,943)	(5,230)
<b>Profit (loss) before income tax</b>	7,781	3,461
Income tax recovery (expense)	(938)	(593)
<b>Profit (loss) for the period</b>	\$ 6,843	\$ 2,868

<sup>(1)</sup> Included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(2)</sup> Amount relates to gain on sale of ARL.

<sup>(3)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Other non-operating and/or non-recurring costs for the three months ended March 31, 2012 include the following: (i) \$367 of amounts owed to former owners of Altus Québec and Real Estate Information Systems Inc. ("Altus InSite") included in office and other operating expenses; and, (ii) \$8 of other termination related costs included in office and other operating expenses.

**Depreciation and Amortization** was \$4.6 million for the three months ended March 31, 2013, down 17.1% or \$1.0 million from \$5.6 million in the same period in 2012. The decrease was due to lower amortization of intangible assets as acquired assets in the UK were fully amortized in 2012.

**Acquisition Related (Expenses) Income** was \$0.2 million for the three months ended March 31, 2013, compared to \$Nil in the same period in 2012. The current year amount represents a change in the estimated contingent consideration to be paid related to the 2010 acquisition of the PwC Appraisal Management Practice.

**Share of Profit (Loss) of Associate** was \$(0.1) million for the three months ended March 31, 2013, compared to \$(0.4) million in the same period in 2012. This represents our proportionate share of Real Matters' loss for the period.

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**Gain (Loss) on Sale of Certain Business Assets** was \$5.3 million for the three months ended March 31, 2013 compared to \$Nil in the same period in 2012. This represents the gain on sale of ARL.

**Executive Compensation Plan Costs** were \$0.1 million for the three months ended March 31, 2013, consistent with the same period in 2012.

**Restructuring Costs** were \$1.1 million for the three months ended March 31, 2013, compared to \$1.8 million in the same period in 2012. Costs incurred in the current year were related to the restructuring activities in Argus Software, which mainly consisted of employee severance costs. In 2012, restructuring costs represented expenses incurred as part of the global Cost restructuring plan and the initiative to reduce corporate costs.

<b>Finance Costs (Income), Net</b>	<b>Three months ended March 31,</b>		
<i>In thousands of dollars</i>	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Interest on borrowings	\$ 3,802	\$ 4,211	(9.7%)
Unwinding of discount	146	164	(11.0%)
Distributions related to amounts payable to unitholders	55	61	(9.8%)
Change in fair value of amounts payable to unitholders	(26)	1,399	101.9%
Change in fair value of interest rate swap (not designated as cash flow hedge)	5	(602)	100.8%
Other, net costs (income)	(39)	(3)	(1,200%)
<b>Finance costs (income), net</b>	<b>\$ 3,943</b>	<b>\$ 5,230</b>	<b>(24.6%)</b>

**Finance Costs (Income), Net** for the three months ended March 31, 2013 was \$3.9 million, down 24.6% or \$1.3 million from \$5.2 million in the same period in 2012. The decrease was mainly due to a favourable fair value adjustment on amounts payable to unitholders and lower interest on borrowings, partially offset by an unfavourable fair value adjustment on the interest rate swap. Lower interest on borrowings was due to lower interest rates and a lower outstanding balance. The average borrowings outstanding was \$205.9 million for the three months ended March 31, 2013, as compared to \$221.6 million in the same period in 2012. In addition, the effective annual interest rate on borrowings decreased to 7.4% in the three months ended March 31, 2013 from 7.6% in the same period in 2012.

**Income Tax Expense (Recovery)** for the three months ended March 31, 2013 was an expense of \$0.9 million, as compared to an expense of \$0.6 million in the same period in 2012.

**Profit (Loss)** during the three months ended March 31, 2013 was \$6.8 million and \$0.30 per share, basic and \$0.26 per share, diluted, as compared to \$2.9 million and \$0.12 per share, basic and \$0.09 per share, diluted, in the same period in 2012.

# Altus Group Limited



## Management's Discussion & Analysis March 31, 2013

### Adjusted Earnings (Loss) Per Share

<i>In thousands of dollars, except for per share amounts</i>	Three months ended March 31,	
	2013	2012
Profit (loss) for the period	\$ 6,843	\$ 2,868
Amortization of intangibles of acquired businesses	3,083	4,261
Non-cash finance cost (income) related to amounts payable to unitholders	(26)	1,399
Share of loss (profit) of associate	78	400
Unrealized foreign exchange loss (gain)	(371)	(1,410)
Loss (gain) on sale of property, plant and equipment	6	(1,451)
Distributions related to amounts payable to unitholders	55	61
Executive Compensation Plan costs	102	55
Interest accretion on vendor payables	141	152
Loss (gain) on hedging transactions, including interest expense (income) on swaps not designated as cash flow hedge	5	(792)
Restructuring costs	1,133	1,786
Acquisition related expenses (income)	210	-
Loss (gain) on sale of certain business assets	(5,278)	-
Other non-operating and/or non-recurring costs	-	375
Tax impact on above	(262)	(1,379)
Adjusted earnings (loss) for the period	\$ 5,719	\$ 6,325
Weighted average number of shares - basic	22,936,930	23,042,089
Weighted average number of treasury shares purchased under Restricted Share Plan	10,670	-
Weighted average number of shares - adjusted	22,947,600	23,042,089
<b>Adjusted earnings (loss) per share</b>	<b>\$0.25</b>	<b>\$0.27</b>



# Altus Group Limited



## Management's Discussion & Analysis March 31, 2013

### Summary of Quarterly Results

	2013	2012				2011		
<i>In thousands of dollars, except for per share amounts</i>	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
<b>Results of Operations</b>								
Revenues	\$ 76,154	\$ 80,737	\$ 76,776	\$ 78,908	\$ 86,178	\$ 86,279	\$ 76,610	\$ 70,172
Adjusted EBITDA	12,253	11,784	13,690	11,809	13,863	13,183	10,998	7,639
Profit (loss) for the period	6,843	(21,462)	2,262	3,678	2,868	2,335	(4,458)	(12,623)
Earnings (loss) per share:								
Basic	\$0.30	\$(0.94)	\$0.10	\$0.16	\$0.12	\$0.10	\$(0.19)	\$(0.56)
Diluted	\$0.26	\$(0.94)	\$0.10	\$(0.03)	\$0.09	\$0.08 <sup>(1)</sup>	\$(0.19)	\$(0.56)
Adjusted	\$0.25	\$0.30	\$0.25	\$0.14	\$0.27	\$0.25	\$0.19	\$0.11
Weighted average number shares ('000s):								
Basic	22,937	22,934	23,023	23,042	23,042	23,036	22,995	22,648
Diluted	31,586	22,934	23,137	27,998	26,450	26,455 <sup>(1)</sup>	22,995	22,648

<sup>(1)</sup> Diluted earnings (loss) per share and diluted weighted average number of shares have been adjusted from \$0.10 and 23,324, respectively, to reflect the dilutive impact of the US convertible debentures. US convertible debentures refer to the US\$49.6 million convertible unsecured subordinated debentures issued to certain shareholders of Realm Solutions Inc. ("Realm"), owner of Argus Software, as part of consideration paid for the acquisition of Realm on June 1, 2011. The US convertible debentures were acquired and cancelled during the second quarter of 2012.

Certain segments of our operations are subject to seasonal variations which may impact overall quarterly results. Geomatics' projects tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods. In the UK, the Realty Tax business has a higher proportion of property tax appeals resolved and revenue recognized in the first and fourth quarters of the year, due to the March 31 fiscal year end for UK municipalities.

# Altus Group Limited



## Management's Discussion & Analysis March 31, 2013

### Outlook

Our fundamentals are strong. We will continue to pursue our strategic initiatives and remain positive for 2013.

Given the importance of Argus as a standalone asset and critical enabler for our overall plans, we have made significant and important changes to the operating model. This includes enhanced product development, a new organizational structure and improved execution. Under new leadership, the business will focus on continuous improvements in profitability, enhanced sales effectiveness and improved execution in its development roadmap.

North America RVA performed well in Canada and the US, and we expect improving growth for 2013. The US business offers additional opportunities as we attract large clients that benefit from our independent advice, innovative consulting services, access to important data and analytic capabilities. The focus on appraisal management for large global real estate funds provides a stable business platform and recurring revenue streams which are less susceptible to changing economic conditions. The US RVA platform is a critical asset in our continuing focus on a North American model as we leverage our relationships for cross business unit opportunities.

North America Geomatics is coming off a record 2012. We are dependent in the short term on the vagaries of weather and have seen some softening on the Calgary market. This is offset by strong results in Northern Alberta and other markets. We also expect to benefit from the approval of large pipeline projects.

The North America Cost business in Canada continues to benefit from a stable pipeline of consulting project work although short term performance could be impacted as projects come to completion. We are investing geographically in Western and Eastern Canada and continue to expand our services. Our relationships with large Canadian institutions also provide opportunities to win business outside Canada.

North America Realty Tax is anticipated to continue to experience its normal quarterly variability due to the nature of contingency revenues. In 2013, the North America Realty Tax business is expected to benefit from the opening of provincial tax assessment cycles in several major markets, including Ontario and Quebec. In addition, a heightened growth strategy is being pursued for expansion into the US market.

Despite a challenging economic climate, the UK business has showed improved overall performance due to focused efforts to engage new clients and improved operating cost efficiencies and we expect this performance to be maintained throughout 2013.

In Asia Pacific Cost, we continue to stabilize our operations and financial performance. Current locations include Australia, China, Hong Kong, Thailand and Vietnam.

We are confident in our strategy as we follow our path to provide better knowledge, insight and advice to our customers in this industry.

# Altus Group Limited



## Management's Discussion & Analysis March 31, 2013

### Liquidity and Capital Resources

<b>Cash Flow</b>	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<i>In thousands of dollars</i>		
Net cash from operating activities	\$ 9,129	\$ 1,578
Net cash from financing activities	(7,772)	(7,481)
Net cash from investing activities	(755)	3,109
Effect of foreign currency translation	4	119
Change in cash position during the period	\$ 606	\$ (2,675)
Dividends paid	\$ 3,440	\$ 3,456

We expect to fund operations from cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Significant erosion in the general state of the economy could affect our liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

#### *Cash from operating activities*

##### **Working Capital**

<i>In thousands of dollars</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Current assets	\$ 109,593	\$ 111,086
Current liabilities	70,351	74,055
Working capital	\$ 39,242	\$ 37,031

Current assets are composed primarily of cash and cash equivalents, trade and other receivables and current income taxes recoverable. Current liabilities include trade and other payables, current income taxes payable, and current portion of borrowings and provisions.

Trade receivables and unbilled revenue on customer contracts decreased 2.2% from December 31, 2012 to March 31, 2013. As a percentage of trailing 12 months revenues, trade receivables and unbilled revenue on customer contracts was 30.8% as at March 31, 2013, as compared to 30.6% as at December 31, 2012, a one day increase in the number of days revenue outstanding.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at March 31, 2013, the amounts owing to the vendors of acquired businesses were approximately \$12.9 million, as compared to \$12.3 million as at December 31, 2012. We intend to fund the deferred purchase price payments through the Revolving Term Facility (as described below) or cash on hand.

We are able to satisfy the balance of our current liabilities through the realization of our current assets.

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### *Cash from financing activities*

Our bank credit facilities are summarized below:

<i>In thousands of dollars</i>	March 31, 2013
<b>Revolving Operating Facility:</b> Senior secured revolving operating facility for general corporate purposes, including letters of credit due on demand, which will mature December 31, 2015.	\$ 20,000
<b>Revolving Term Facility:</b> Senior secured revolving term facility to finance investments as permitted by the credit agreement, which will mature December 31, 2015. Certain provisions allow us to increase the limit further to \$189,700.	139,700
	\$ 159,700

As at March 31, 2013, our total borrowings on our bank credit facilities amounted to \$117.6 million, a decrease of \$2.0 million from December 31, 2012. For the three months ended March 31, 2013, we repaid \$2.0 million on the Revolving Term Facility.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$0.9 million to secure a credit facility for operating leases.

The cost of our facilities is tied to the Canadian Prime rate, Bankers' Acceptance rate, US base rates or LIBOR rates. As at March 31, 2013, \$110.0 million of the bank credit facilities were subject to various interest rate swap agreements to fix the interest rate. The effective annual rate of interest for the three months ended March 31, 2013 on our bank credit facilities was 5.32% as compared to 6.19% in 2012.

As at March 31, 2013, we were in compliance with the financial covenants of our bank credit facilities, which are summarized below:

	March 31, 2013
Funded debt to EBITDA (maximum of 2.75:1)	2.28:1
Minimum fixed charge coverage (minimum of 1.20:1)	3.37:1
Maximum funded debt to capitalization (maximum of 55%)	41%

Other than long-term debt and letters of credit, we are subject to contractual obligations for operating leases for office facilities and office equipment, as well as finance leases for office equipment.

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Contractual Obligations	Payments Due by Period (undiscounted)				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
<i>In thousands of dollars</i>					
Long-term debt	\$ 118,690	\$ 826	\$ 117,687	\$ 116	\$ 61
Operating lease obligations	54,042	10,906	15,606	9,023	18,507
Finance lease obligations	267	112	155	-	-
Payables to vendors	13,049	13,049	-	-	-
Convertible debentures <sup>(1)</sup>	98,000	-	-	98,000	-
Provisions	2,685	2,037	648	-	-
Amounts payable to unitholders	3,026	-	-	-	3,026
Other financial liabilities	42,736	41,419	593	91	633
<b>Total Contractual Obligations</b>	<b>\$ 332,495</b>	<b>\$ 68,349</b>	<b>\$ 134,689</b>	<b>\$ 107,230</b>	<b>\$ 22,227</b>

<sup>(1)</sup> Includes the \$48.0 million of 6.75% convertible unsecured subordinated debentures issued by us on April 19, 2012 (the "2012 convertible debentures") and \$50.0 million of 5.75% convertible unsecured subordinated debentures issued by us on December 1, 2010 (the "2010 convertible debentures", and, collectively with the 2012 convertible debentures, the "Canadian convertible debentures"). The terms of the Canadian convertible debentures are described in detail in Note 19 of the 2012 annual consolidated financial statements.

### Cash from investing activities

We invest in property, plant and equipment and intangible assets to support the activities of the business, such as computer equipment and software, trucks and field equipment and office equipment and furnishings. Capital expenditures for accounting purposes include property, plant and equipment in substance as well as form, including assets under finance lease and intangible assets comprising of computer application software.

Capital expenditures are reconciled as follows:

Capital Expenditures	Three months ended March 31,	
	2013	2012
<i>In thousands of dollars</i>		
Property, plant and equipment additions on Statement of Cash Flows	\$ 754	\$ 1,435
Intangible asset additions on Statement of Cash Flows	16	710
Proceeds on disposal of operational property, plant and equipment	(15)	(5,254)
Capital expenditures funded by cash from investing activities	\$ 755	\$ (3,109)

### Share Data

As at April 30, 2013, there were 22,866,490 common shares outstanding and 192,059 treasury shares held in connection with the Restricted Share Plan in which Canadian employees participate. These treasury shares are subject to restricted covenants and may or may not vest for employees; thus, they are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at March 31, 2013, there were 1,320,696 share options outstanding (December 31, 2012 – 1,210,594 share options outstanding) at a weighted average exercise price of \$9.44 per share (December 31, 2012 -

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\$9.34 per share) and 319,353 options were exercisable (December 31, 2012 – 409,251). All share options are exercisable into common shares on a one-to-one basis.

During the first quarter of 2013, we implemented a Dividend Reinvestment Plan ("DRIP") for our shareholders who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividend distributions in additional Altus common shares.

Pursuant to the DRIP, and in the case of where common shares are issued from treasury, cash dividend distributions will be reinvested in additional Altus common shares at the weighted average market price of our common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount of up to 5%. In the case where common shares will be purchased on the open market, cash dividend distributions will be reinvested in additional Altus common shares at the relevant, average market price paid in respect of satisfying this reinvestment plan.

As at March 31, 2013, there were \$98.0 million of Canadian convertible debentures outstanding. Of these, \$50.0 million are exchangeable into common shares at the option of the holder at a conversion price of \$18.60 per common share, equivalent to a maximum of 2,688,172 common shares and \$48.0 million are exchangeable into common shares at the option of the holder at a conversion price of \$10.00 per common share, equivalent to a maximum of 4,800,000 common shares.

Our common shares are also issuable to certain vendors of acquired businesses if certain earning levels are met under the terms of the agreements with such vendors. The contingent consideration payable to the vendors of certain business assets of the PwC Appraisal Management Practice, acquired in July 2010, will be settled through the issuance of common shares. The agreement provides for an additional purchase payment if the average annual EBITDA over three years exceeds a threshold of US\$3.5 million. A multiple of four times is payable on the first excess amount of US\$3.5 million and four and half times thereafter. The first US\$7.7 million payable, or any portion thereof, will be settled through the issuance of 653,295 common shares. For any additional consideration payable, additional common shares will be issued based on the trading prices of our common shares in July 2011, July 2012 and July 2013 and the Bank of Canada exchange rates on the last day of each such month.

### Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our consolidated balance sheet as at March 31, 2013 consist of cash and cash equivalents, trade and other receivables (excluding prepayments and lease inducements), trade and other payables (excluding lease inducements and deferred revenue), contingent consideration payable, borrowings (including long-term debt, convertible debentures and finance lease obligations), derivatives (cash flow hedges) and amounts payable to unitholders. We do not enter into financial instrument arrangements for speculative purposes.

The fair values of the short-term financial instruments approximate their carrying values. The fair values of the long-term debt and finance lease obligations are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair value of

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other long-term liabilities and contingent consideration payable is estimated by discounting the future contractual cash flows at the cost of money to us, which is equal to their carrying value.

The fair value of the 2012 convertible debentures as at March 31, 2013 was approximately \$49.3 million, based on market quotes. The fair value of the 2010 convertible debentures as at March 31, 2013 was approximately \$48.8 million, based on market quotes.

The fair value of the amounts payable to unitholders as at March 31, 2013 was approximately \$3.0 million, based on market quotes for our common shares.

We are exposed to interest rate risk in the event of fluctuations in the Canadian Prime rate or Canadian Bankers' Acceptance rate, US Base rate and LIBOR rate as the interest rates on the bank credit facilities fluctuate with changes in the Canadian Prime rate, Canadian Bankers' Acceptance rate, US Base rate or LIBOR rate.

To mitigate our exposure to interest rate fluctuations, we have entered into interest rate swap agreements in connection with our bank credit facilities.

In 2010, we entered into an interest rate swap agreement, effective August 31, 2011, for a notional amount of \$75.0 million and a fixed interest rate of 2.77% per annum plus a stamping fee of 2.75% as at March 31, 2013. This agreement expires on August 31, 2015. As at March 31, 2013, the fair value of this swap was \$2.7 million in favor of the counterparty.

In 2011, we entered into an interest rate swap agreement, effective June 8, 2011, for a notional amount of \$35.0 million and a fixed interest rate of 2.376% per annum plus a stamping fee of 2.75% as at March 31, 2013. This agreement expires on December 31, 2015. This interest rate swap was not designated as a cash flow hedge. As at March 31, 2013, the fair value of this swap was \$1.0 million in favour of the counterparty.

We are exposed to credit risk with respect to our cash and cash equivalents and trade and other receivables, and more specifically our trade receivables. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. This practice increases the risk and likelihood of future bad debts. In addition, the risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries. Trade receivables are monitored on an ongoing basis with respect to their collectability and, where appropriate, a specific reserve is recorded.

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure and financial leverage. We also manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenues and receipts and maturity profile of financial assets and liabilities. Our Board of Directors reviews and approves our operating and capital budgets, as well as any material transactions out of the ordinary course of business.

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We are also exposed to price risk as the amounts payable to unitholders are classified as fair value through profit or loss, and linked to the price of our own common shares.

### Related Party Transactions

We provide appraisal services to Real Matters, an entity in which we hold a 25.7% equity interest as at March 31, 2013. During the three months ended March 31, 2013, we recorded revenues of \$2,000 for appraisal services provided to Real Matters (three months ended March 31, 2012 - \$2,000).

Effective January 1, 2013, we sold ARL to Real Matters for consideration of \$8.2 million, subject to adjustments. The purchase price was settled through the issuance of additional Real Matters common shares. An accounting gain of \$5.3 million was recorded on the transaction. As a result of the ARL sale, the asset relating to the Referral and Services Agreement between ARL and Real Matters was transferred to Real Matters and trade and other receivables were reduced by the unamortized prepayment of \$2.9 million at the time of sale. During the three months ended March 31, 2012, we recorded expenses of \$152,000, pursuant to the Referral and Services Agreement between ARL and Real Matters. As part of the Referral and Services Agreement, we paid a sales and account management fee of \$3.5 million with respect to services that were to be performed over the 20 year term of the agreement ending in April 2029. This amount was included with trade and other receivables and was being amortized on a straight-line basis over the term of the contract.

As part of ongoing operations with Real Matters, there was \$Nil included in trade and other payables and \$4,000 included in trade and other receivables as at March 31, 2013 (December 31, 2012 - \$150,000 and \$271,000, respectively).

All related party transactions were in the normal course of operations and measured at the exchange amount.

### Contingencies

From time to time, we or our subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from pending litigation will not have a material adverse effect on our financial position or results of operations, other than those that have been accrued in the unaudited interim condensed consolidated financial statements.

In the ordinary course of business, we are subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions we made in our tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on our financial position or results of operations.



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We are currently being audited by the Canada Revenue Agency with respect to certain input tax credits claimed. Our maximum exposure is \$1.1 million, however, we are defending our filing position. A total of \$0.4 million has been accrued in the unaudited interim condensed consolidated financial statements.

### Critical Accounting Estimates and Judgments

The preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying our accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 use the same significant estimates and assumptions in determining the value of assets and liabilities and the same significant judgments in applying accounting policies as those applied in our annual consolidated financial statements for the year ended December 31, 2012. Refer to Note 4 of the 2012 annual consolidated financial statements for a detailed summary of these critical accounting estimates and judgments.

### Changes in Accounting Policies Including Initial Adoption of New Accounting Pronouncements

The following standards and amendments to existing standards have been adopted for the period beginning January 1, 2013:

#### *International Accounting Standard 1, Presentation of Financial Statements*

International Accounting Standard 1, Presentation of Financial Statements ("IAS 1"), was amended in 2011 and requires entities to group items presented in other comprehensive income (loss) on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods. The amendments are effective for annual periods beginning on or after July 1, 2012. The adoption of this amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

#### *International Accounting Standard 28, Investments in Associates and Joint Ventures*

International Accounting Standard 28, Investments in Associates and Joint Ventures ("IAS 28"), was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

#### *International Financial Reporting Standard 10, Consolidated Financial Statements*

International Financial Reporting Standard 10, Consolidated Financial Statements ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the



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financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee Interpretation 12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.

### *International Financial Reporting Standard 11, Joint Arrangements*

International Financial Reporting Standard 11, Joint Arrangements (“IFRS 11”), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes current International Accounting Standard 31, Interests in Joint Ventures, and Standing Interpretations Committee Interpretation 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.

### *International Financial Reporting Standard 12, Disclosure of Interests in Other Entities*

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities (“IFRS 12”), establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosure requirements and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.

### *International Financial Reporting Standard 13, Fair Value Measurements*

International Financial Reporting Standard 13, Fair Value Measurements (“IFRS 13”), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements other than additional note disclosures.

### *International Financial Reporting Standard 7, Financial Instruments: Disclosures*

International Financial Reporting Standard 7, Financial Instruments: Disclosures (“IFRS 7”), was amended in 2011 and requires entities to disclose information about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of this



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amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

The following standards and amendments to existing standards have been published and are mandatory for our accounting periods beginning on or after January 1, 2014 or later periods. We have not early adopted these standards and amendments.

### *International Financial Reporting Standard 9, Financial Instruments*

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39"), for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment, however, other gains and losses, including impairments, associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. We have not yet begun the process of evaluating the impact of this standard on our unaudited interim condensed consolidated financial statements.

### *International Accounting Standard 32, Financial Instruments: Presentation*

International Accounting Standard 32, Financial Instruments: Presentation, was amended in 2011 and provides additional guidance when applying the offsetting requirements and clarifies the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. We have not yet begun the process of evaluating the impact of this amendment on our unaudited interim condensed consolidated financial statements.

## **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

Management has caused such DC&P to be designed under its supervision to provide reasonable assurance that our material information, including our consolidated subsidiaries, is made known to our Chief Executive Officer and our Chief Financial Officer for the period in which the interim filings were prepared. Further, such DC&P are designed to provide reasonable assurance that information we are

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March 31, 2013

required to disclose in our annual filings, interim filings or other reports we have filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Management has caused such ICFR to be designed under its supervision using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited interim condensed consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes in our internal controls over financial reporting that occurred during the three month period ended March 31, 2013, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013.

### **Additional Information**

Additional information relating to Altus Group Limited, including our Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Our common shares trade on the Toronto Stock Exchange under the symbol AIF and the Canadian convertible debentures trade under the symbols AIF.DB and AIF.DB.A.

# **Altus Group Limited**

**Interim Condensed Consolidated Financial Statements**

**March 31, 2013 and 2012**

**(Unaudited)**

**(Expressed in Thousands of Canadian Dollars)**



# Altus Group Limited



## Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three Months Ended March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

		Three months ended March 31	
	Notes	2013	2012
<b>Revenues</b>			
Revenues		\$ 76,154	\$ 86,178
Less: disbursements		7,297	12,638
Net revenue		68,857	73,540
<b>Expenses</b>			
Employee compensation		45,743	47,769
Occupancy		3,540	3,218
Office and other operating		7,058	6,069
Amortization of intangibles	9	3,521	4,436
Depreciation of property, plant and equipment	8	1,128	1,171
Acquisition related expenses (income)		210	-
Share of (profit) loss of associate		78	400
Restructuring costs	13	1,133	1,786
(Gain) loss on sale of certain business assets	6	(5,278)	-
<b>Operating profit (loss)</b>		<b>11,724</b>	<b>8,691</b>
Finance costs (income), net	4	3,943	5,230
<b>Profit (loss) before income tax</b>		<b>7,781</b>	<b>3,461</b>
Income tax expense (recovery)	5	938	593
<b>Profit (loss) for the period attributable to equity holders</b>		<b>\$ 6,843</b>	<b>\$ 2,868</b>
<b>Other comprehensive income (loss):</b>			
Cash flow hedges	18	51	919
Currency translation differences	18	1,299	(3,274)
<b>Other comprehensive income (loss), net of tax</b>		<b>1,350</b>	<b>(2,355)</b>
<b>Total comprehensive income (loss) for the period, net of tax, attributable to equity holders</b>		<b>\$ 8,193</b>	<b>\$ 513</b>
<b>Earnings (loss) per share attributable to the equity holders of the Company during the period</b>			
Basic earnings (loss) per share	20	\$0.30	\$0.12
Diluted earnings (loss) per share	20	\$0.26	\$0.09

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Altus Group Limited



## Interim Condensed Consolidated Balance Sheets

As at March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	March 31, 2013	December 31, 2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 5,309	\$ 4,703
Trade and other receivables	7	103,208	105,746
Current income taxes recoverable		1,076	637
		<b>109,593</b>	<b>111,086</b>
<b>Non-current assets</b>			
Trade and other receivables	7	294	3,320
Investment in associate	6	14,502	6,380
Deferred income taxes		12,593	12,429
Property, plant and equipment	8	18,292	18,663
Intangibles	9	77,987	80,022
Goodwill	10	186,489	186,139
		<b>310,157</b>	<b>306,953</b>
<b>Total Assets</b>		<b>\$ 419,750</b>	<b>\$ 418,039</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	\$ 66,968	\$ 69,599
Current income taxes payable		444	997
Borrowings	12	905	1,361
Provisions	13	2,034	2,098
		<b>70,351</b>	<b>74,055</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	6,767	6,120
Borrowings	12	204,082	205,449
Derivative financial instruments	14	3,718	3,783
Provisions	13	613	102
Deferred income taxes		1,425	1,084
Amounts payable to unitholders	15	3,026	3,052
		<b>219,631</b>	<b>219,590</b>
<b>Total Liabilities</b>		<b>289,982</b>	<b>293,645</b>
<b>Shareholders' Equity</b>			
Share capital	16	277,948	279,227
Equity component of convertible debentures		6,356	6,356
Contributed surplus	17	5,512	3,598
Accumulated other comprehensive income (loss)	18	383	(967)
Deficit		(160,431)	(163,820)
<b>Total Shareholders' Equity</b>		<b>129,768</b>	<b>124,394</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 419,750</b>	<b>\$ 418,039</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Altus Group Limited



## Interim Condensed Consolidated Statements of Changes in Equity For the Three Months Ended March 31, 2013 and 2012 (Unaudited) (Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
<b>As at January 1, 2012</b>		\$ 280,035	\$ 4,634	\$ 2,227	\$ 1,470	\$ (137,373)	\$ 150,993
Profit (loss) for the period		-	-	-	-	2,868	2,868
Other comprehensive income (loss), net of tax:							
Cash flow hedges	18	-	-	-	919	-	919
Currency translation differences	18	-	-	-	(3,274)	-	(3,274)
Total comprehensive income (loss) for the period		\$ -	\$ -	\$ -	\$ (2,355)	\$ 2,868	\$ 513
Transaction with owners:							
Dividends declared	21	-	-	-	-	(3,456)	(3,456)
Share-based compensation	19	-	-	55	-	-	55
		-	-	55	-	(3,456)	(3,401)
<b>As at March 31, 2012</b>		\$ 280,035	\$ 4,634	\$ 2,282	\$ (885)	\$ (137,961)	\$ 148,105
<b>As at January 1, 2013</b>		\$ 279,227	\$ 6,356	\$ 3,598	\$ (967)	\$ (163,820)	\$ 124,394
Profit (loss) for the period		-	-	-	-	6,843	6,843
Other comprehensive income (loss), net of tax:							
Cash flow hedges	18	-	-	-	51	-	51
Currency translation differences	18	-	-	-	1,299	-	1,299
Total comprehensive income (loss) for the period		\$ -	\$ -	\$ -	\$ 1,350	\$ 6,843	\$ 8,193
Transaction with owners:							
Dividends declared	21	-	-	-	-	(3,454)	(3,454)
Reclassification related to Restricted Share Plan	17, 19	-	-	2,277	-	-	2,277
Treasury shares purchased under the Restricted Share Plan	16, 19	(2,277)	-	-	-	-	(2,277)
Share-based compensation	19	-	-	121	-	-	121
Shares issued under the Share Option Plan	16, 19	998	-	(484)	-	-	514
		(1,279)	-	1,914	-	(3,454)	(2,819)
<b>As at March 31, 2013</b>		\$ 277,948	\$ 6,356	\$ 5,512	\$ 383	\$ (160,431)	\$ 129,768

The accompanying notes are an integral part of these interim condensed consolidated financial statements.



# Altus Group Limited



## Interim Condensed Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

		Three months ended March 31	
	Notes	2013	2012
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		\$ 7,781	\$ 3,461
Adjustments for:			
Amortization of intangibles	9	3,521	4,436
Depreciation of property, plant and equipment	8	1,128	1,171
Amortization of lease inducements		47	36
Tax credits recorded through employee compensation		(521)	-
Finance costs (income), net	4	3,943	5,230
Share-based compensation	19	121	55
Unrealized foreign exchange (gain) loss		(371)	(1,410)
Unrealized (gain) loss on hedging transactions		-	(190)
(Gain) loss on sale of certain business assets	6	(5,278)	-
(Gain) loss on disposal of property, plant and equipment		6	(1,451)
Share of (profit) loss of associate		78	400
Net changes in operating working capital		1,194	(7,076)
		11,649	4,662
Less: interest paid		(1,588)	(3,555)
Less: income tax paid		(1,040)	(138)
Income tax received		108	609
Net cash provided by (used in) operating activities		9,129	1,578
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options		514	-
Financing fees paid		-	(15)
Repayment of borrowings		(2,513)	(3,949)
Dividends paid		(3,440)	(3,456)
Treasury shares purchased under Restricted Share Plan	19	(2,277)	-
Interest paid to other unitholders		(56)	(61)
Net cash provided by (used in) financing activities		(7,772)	(7,481)
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(16)	(710)
Purchase of property, plant and equipment		(754)	(1,435)
Proceeds from disposal of property, plant and equipment		15	5,254
Net cash provided by (used in) investing activities		(755)	3,109
<b>Effect of foreign currency translation</b>		4	119
<b>Net increase (decrease) in cash and cash equivalents</b>		606	(2,675)
<b>Cash and cash equivalents</b>			
Beginning of period		4,703	6,590
End of period		\$ 5,309	\$ 3,915

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 1. Business and Structure

Altus Group Limited (the “Company”) was formed through the completion of a plan of arrangement under the *Business Corporations Act* (Ontario) (the “Arrangement”) pursuant to an information circular dated November 8, 2010, whereby Altus Group Income Fund (the “Fund”) was converted from an unincorporated open-ended limited purpose trust into a corporate structure (the “Corporate Conversion”). The Corporate Conversion through a series of transactions involved the exchange, on a one-for-one basis, of the Fund Units and the Class B limited partnership units of Altus Group Limited Partnership (“Altus LP”) for common shares of the Company. As a result of this reorganization, Altus LP, Altus Operating Trust and the Fund were liquidated and dissolved. The effective date of the Corporate Conversion was January 1, 2011. The Company continues to operate the business of the Fund.

The Company directly or indirectly owns or controls operating entities located within Canada, the United Kingdom (“UK”), the United States of America (“US”), Australia and several countries in Asia and provides real estate consulting and real estate software applications and data solutions. The Company conducts its business through five segments: Research, Valuation & Advisory (“RVA”), Cost Consulting & Project Management (“Cost”), Realty Tax Consulting (“Realty Tax”), Geomatics and Argus Software applications (“Argus Software”).

The address of the Company’s registered office is 33 Yonge Street, Suite 500, Toronto, Ontario, Canada. The Company is listed on the Toronto Stock Exchange (“TSX”) and is domiciled in Canada.

“Altus” refers to the consolidated operations of Altus Group Limited.

### 2. Basis of Preparation and Summary of Significant Accounting Policies

The unaudited interim condensed consolidated financial statements for the period ended March 31, 2013 follow the same accounting policies and methods of their application as those used in the Company’s consolidated financial statements for the year ended December 31, 2012. These unaudited interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. Therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s most recent audited annual consolidated financial statements for the year ended December 31, 2012.



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 2. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors for issue on May 7, 2013.

#### Adoption of Recent Accounting Pronouncements

The following standards and amendments to existing standards have been adopted for the period beginning January 1, 2013:

##### *International Accounting Standard 1, Presentation of Financial Statements*

International Accounting Standard 1, Presentation of Financial Statements ("IAS 1"), was amended in 2011 and requires entities to group items presented in other comprehensive income (loss) on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods. The amendments are effective for annual periods beginning on or after July 1, 2012. The adoption of this amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

##### *International Accounting Standard 28, Investments in Associates and Joint Ventures*

International Accounting Standard 28, Investments in Associates and Joint Ventures ("IAS 28"), was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

##### *International Financial Reporting Standard 10, Consolidated Financial Statements*

International Financial Reporting Standard 10, Consolidated Financial Statements ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee Interpretation 12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 2. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

#### *International Financial Reporting Standard 11, Joint Arrangements*

International Financial Reporting Standard 11, Joint Arrangements ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes current International Accounting Standard 31, Interests in Joint Ventures, and Standing Interpretations Committee Interpretation 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.

#### *International Financial Reporting Standard 12, Disclosure of Interests in Other Entities*

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities ("IFRS 12"), establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosure requirements and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements.

#### *International Financial Reporting Standard 13, Fair Value Measurements*

International Financial Reporting Standard 13, Fair Value Measurements ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The adoption of this new standard did not result in any changes to the unaudited interim condensed consolidated financial statements other than the additional disclosures in Note 22.



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 2. Basis of Preparation and Summary of Significant Accounting Policies, cont'd

#### *International Financial Reporting Standard 7, Financial Instruments: Disclosures*

International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), was amended in 2011 and requires entities to disclose information about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of this amendment did not result in any changes to the unaudited interim condensed consolidated financial statements.

#### **Seasonality**

Certain segments of the Company's operations are subject to seasonal variations. Geomatics' projects tend to be on remote undeveloped land in western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods. In the UK, the Realty Tax business has a higher proportion of property tax appeals resolved and revenue recognized in the first and fourth quarters of the year, due to the March 31 fiscal year end for UK municipalities.

#### **Critical Accounting Estimates and Judgments**

These unaudited interim condensed consolidated financial statements use the same significant estimates and assumptions in determining the value of assets and liabilities and the same significant judgments in applying accounting policies as those applied in the Company's consolidated financial statements for the year ended December 31, 2012.

### 3. Segmented Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ("CEO") and senior management.

The CEO and senior management consider the business from both a core service and geographic perspective. The areas of core service are RVA, Cost, Realty Tax, Geomatics and Argus Software. Operating and financial information is available for these operating segments and is used to determine operating performance for each segment and to allocate resources. The Company operates in four geographic regions: Canada, the US, the UK and the Asia Pacific region.

RVA performs real estate valuations, litigation support, financial due diligence, research and real estate-related services.



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 3. Segmented Information, cont'd

Cost provides construction cost planning, loan monitoring and project management services to construction companies and financial institutions.

Realty Tax performs realty tax assessment reviews and appeals, and assists with realty tax compliance filings.

Geomatics provides advanced geomatics solutions including geographic information systems, digital mapping, remote sensing, 3-D laser scanning and orthophoto maps. Geomatics operates primarily in the oil and gas sector. It also provides environmental services to the forestry and energy sectors.

Argus Software is a developer and provider of software solutions for analysis and management of commercial real estate investments. Argus software is the go-to product to support critical business processes, including real estate asset management, valuation, portfolio management, budgeting, forecasting, reporting and lease management solutions.

In Canada and the US, the products and services offered by the RVA, Cost, Realty Tax and Geomatics core service areas individually are similar, and due to the nature of customers and operations, these core service lines have been aggregated into North American reporting units, which is also the method by which this region is reviewed by the CEO and senior management.

Argus Software has operations in the US, Canada, the UK and the Asia Pacific region. The products and services provided by Argus Software are similar in all geographical regions and due to the nature of customers and operations, all Argus Software companies have been aggregated into one segment, which is also consistent with the manner in which it is reviewed by the CEO and senior management.

The UK service lines primarily consist of Realty Tax. Other service lines do not meet the qualitative threshold that would be required by International Financial Reporting Standard 8, Operating Segments ("IFRS 8") for separate disclosure; however, these service lines consist of similar customers and are exposed to similar economic characteristics of the UK market as Realty Tax. As a result, UK operations have been aggregated into one operating segment, which is also consistent with the manner in which it is reviewed by the CEO and senior management.

In the Asia Pacific region, the primary business segment that operates is Cost. Individually, each country does not meet the qualitative threshold required by IFRS 8, thus this segment is reported in aggregate. The consolidated results for the region are reviewed by the CEO and senior management.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 3. Segmented Information, cont'd

The accounting policies of the segments are the same as those applied in these unaudited interim condensed consolidated financial statements. Revenue transactions between segments are valued at market rates and eliminated on consolidation.

The CEO and senior management assess the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents operating profit (loss) adjusted for the effect of amortization of intangibles, depreciation of property, plant and equipment, acquisition related expenses (income), restructuring costs, share of profit or loss of associate, unrealized foreign exchange gains (losses), gains (losses) on sale of property, plant and equipment, gains (losses) on sale of business assets, impairment charges, Executive Compensation Plan costs, gains (losses) on hedging transactions and other expenses or income of a non-operating and/or non-recurring nature.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 3. Segmented Information, cont'd

A reconciliation of Adjusted EBITDA to profit (loss) is provided as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Adjusted EBITDA for reportable segments	\$ 12,253	\$ 13,863
Depreciation of property, plant and equipment	(1,128)	(1,171)
Amortization of intangibles	(3,521)	(4,436)
Acquisition related (expenses) income	(210)	-
Share of profit (loss) of associate	(78)	(400)
Unrealized foreign exchange gain (loss) <sup>(1)</sup>	371	1,410
Gain (loss) on sale of property, plant and equipment <sup>(1)</sup>	(6)	1,451
Gain (loss) on hedging transactions <sup>(1)</sup>	-	190
Gain (loss) on sale of certain business assets <sup>(2)</sup> (Note 6)	5,278	-
Executive Compensation Plan costs <sup>(3)</sup>	(102)	(55)
Restructuring costs	(1,133)	(1,786)
Other non-operating and/or non-recurring costs <sup>(4)</sup>	-	(375)
Operating profit (loss)	11,724	8,691
Finance (costs) income, net	(3,943)	(5,230)
Profit (loss) before income tax	7,781	3,461
Income tax recovery (expense)	(938)	(593)
<b>Profit (loss) for the period</b>	<b>\$ 6,843</b>	<b>\$ 2,868</b>

<sup>(1)</sup> Included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(2)</sup> Amount relates to gain on sale of Altus Residential Limited.

<sup>(3)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Other non-operating and/or non-recurring costs for the three months ended March 31, 2012 include the following: (i) \$367 of amounts owed to former owners of Altus Québec and Real Estate Information Systems Inc. ("Altus InSite") included in office and other operating expenses; and, (ii) \$8 of other termination related costs included in office and other operating expenses.



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 3. Segmented Information, cont'd

The segment information provided to the CEO and senior management for the reportable segments for the three months ended March 31, 2013 and 2012 is as follows:

#### Segment Revenues and Expenditures

	Three months ended March 31, 2013									
	North America RVA	North America Realty Tax	North America Cost	North America Geomatics	Argus Software	UK	Asia Pacific Cost <sup>(1)</sup>	Corporate <sup>(2)</sup>	Eliminations	Total
Revenue from external customers	\$ 18,698	\$ 15,182	\$ 7,697	\$ 15,794	\$ 8,501	\$ 5,237	\$ 5,045	\$ -	\$ -	\$ 76,154
Inter-segment revenue	(34)	(9)	(9)	-	104	-	9	-	(61)	-
<b>Total segment revenue</b>	<b>18,664</b>	<b>15,173</b>	<b>7,688</b>	<b>15,794</b>	<b>8,605</b>	<b>5,237</b>	<b>5,054</b>	<b>-</b>	<b>(61)</b>	<b>76,154</b>
<b>Adjusted EBITDA</b>	<b>5,032</b>	<b>3,298</b>	<b>1,420</b>	<b>3,143</b>	<b>2,105</b>	<b>1,291</b>	<b>125</b>	<b>(4,161)</b>	<b>-</b>	<b>12,253</b>
Depreciation and amortization	172	98	84	465	100	31	68	3,675	(44)	4,649
Income tax expense (recovery)	-	-	-	-	-	-	-	938	-	938
Finance costs (income), net	-	-	-	-	-	-	-	3,943	-	3,943
Share of (profit) loss of associate	-	-	-	-	-	-	-	78	-	78

<sup>(1)</sup> Includes Hawaii

<sup>(2)</sup> Corporate includes global corporate office costs, finance costs (income), net, amortization of intangibles acquired as part of business acquisitions, acquisition related expenses (income), impairment charges, share of (profit) loss of Real Matters and income taxes. For the three months ended March 31, 2013, Corporate also includes discretionary bonuses that relate to the entire organization. The allocation to various business units will be determined at year end and allocated at that time accordingly.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 3. Segmented Information, cont'd

	Three months ended March 31, 2012									
	North America RVA	North America Realty Tax	North America Cost	North America Geomatics	Argus Software	UK	Asia Pacific Cost <sup>(1)</sup>	Corporate <sup>(2)</sup>	Eliminations	Total
Revenue from external customers	\$ 17,454	\$ 14,447	\$ 15,511	\$ 18,142	\$ 7,064	\$ 5,015	\$ 8,545	\$ -	\$ -	\$ 86,178
Inter-segment revenue	1	-	(192)	229	46	-	-	-	(84)	-
<b>Total segment revenue</b>	17,455	14,447	15,319	18,371	7,110	5,015	8,545	-	(84)	86,178
<b>Adjusted EBITDA</b>	3,742	4,032	2,354	5,849	777	1,173	628	(4,654)	(38)	13,863
Depreciation and amortization	196	103	133	442	76	33	93	4,533	(2)	5,607
Income tax expense (recovery)	-	-	-	-	-	-	-	593	-	593
Finance costs (income), net	-	-	-	-	-	-	-	5,230	-	5,230
Share of (profit) loss of associate	-	-	-	-	-	-	-	400	-	400

<sup>(1)</sup> Includes Hawaii

<sup>(2)</sup> Corporate includes global corporate office costs, finance costs (income), net, amortization of intangibles acquired as part of business acquisitions, acquisition related expenses (income), impairment charges, share of (profit) loss of Real Matters and income taxes. For the three months ended March 31, 2012, Corporate also includes discretionary bonuses that relate to the entire organization. The allocation to various business units was determined at year end and allocated at that time accordingly.

### Segment Assets

	North America RVA	North America Realty Tax	North America Cost	North America Geomatics	Argus Software	UK	Asia Pacific Cost <sup>(1)</sup>	Corporate	Total
<b>March 31, 2013</b>	\$ 55,539	\$ 62,064	\$ 41,692	\$ 60,437	\$ 50,287	\$ 24,414	\$ 7,697	\$ 117,620	\$ 419,750
December 31, 2012	54,694	59,137	43,482	64,972	49,763	25,725	8,239	112,027	418,039

<sup>(1)</sup> Includes Hawaii.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 4. Finance Costs (Income)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Interest on credit facilities	\$ 1,870	\$ 2,394
Interest on Canadian convertible debentures	1,927	923
Interest on US convertible debentures <sup>(1)</sup>	-	888
Interest on finance lease liabilities	5	6
Contingent consideration payable: unwinding of discount (Note 22)	141	152
Provisions: unwinding of discount (Note 13)	5	12
Distributions payable on Altus UK LLP Class B and D units	55	61
Change in fair value of Altus UK LLP Class B and D units (Note 15)	(26)	1,399
Change in fair value of interest rate swap (not designated as cash flow hedge)	5	(602)
Other	-	13
<b>Finance costs</b>	<b>3,982</b>	<b>5,246</b>
<b>Finance income</b>	<b>(39)</b>	<b>(16)</b>
<b>Finance costs (income), net</b>	<b>\$ 3,943</b>	<b>\$ 5,230</b>

<sup>(1)</sup> US convertible debentures refer to the US\$49,631 convertible unsecured subordinated debentures issued to certain shareholders of Realm Solutions Inc. ("Realm"), owner of Argus Software, as part of consideration paid for the acquisition of Realm on June 1, 2011. The US convertible debentures were acquired and cancelled during the second quarter of 2012.

### 5. Income Tax

Income tax is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Income Tax Expense (Recovery)</b>		
Current	\$ 485	\$ 17
Deferred	453	576
	<b>\$ 938</b>	<b>\$ 593</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 6. Sale of Altus Residential Limited

Effective January 1, 2013, the Company completed the sale of its 100% interest in Altus Residential Limited (“ARL”) to Real Matters Inc. (“Real Matters”) for consideration of \$8,200, subject to adjustments. The purchase price was settled through the issuance of additional Real Matters common shares, which increased the Company’s ownership percentage in Real Matters from 19.0% to 25.7%. An accounting gain of \$5,278 was recorded on the transaction. As a result of the ARL sale, the asset relating to the Referral and Services Agreement between ARL and Real Matters was transferred to Real Matters and trade and other receivables were reduced by the unamortized prepayment of \$2,882 at the time of sale (Note 7). ARL was a wholly owned subsidiary of the Company, providing single-family residential appraisal management services on a fixed-fee basis.

### 7. Trade and Other Receivables

	March 31, 2013	December 31, 2012
Trade receivables	\$ 70,574	\$ 79,656
Less: allowance for doubtful accounts	9,362	9,483
Trade receivables, net	61,212	70,173
Unbilled revenue on customer contracts	35,186	28,405
Prepayments <sup>(1)</sup>	5,474	8,166
Other receivables	1,507	1,901
Lease inducements	119	150
Receivables from related parties (Note 24)	4	271
	103,502	109,066
Less non-current portion: prepayments <sup>(1)</sup>	294	3,170
Less non-current portion: lease inducements	-	150
	\$ 103,208	\$ 105,746

<sup>(1)</sup> As a result of the sale of ARL to Real Matters (Note 6), the asset relating to the Referral and Services Agreement, recorded as a prepayment in ARL, was transferred to Real Matters and trade and other receivables were reduced by the unamortized prepayment of \$2,882 at the time of sale.



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(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 8. Property, Plant and Equipment

	Land	Buildings	Parking Lot	Leasehold Improvements	Furniture, Fixtures and Equipment	Computer Equipment	Total
Balance as at January 1, 2012							
Cost	\$ 706	\$ 3,760	\$ 99	\$ 7,669	\$ 14,889	\$ 14,626	\$ 41,749
Accumulated depreciation	-	(750)	(36)	(2,251)	(7,901)	(8,566)	(19,504)
Net book amount	706	3,010	63	5,418	6,988	6,060	22,245
Year ended December 31, 2012							
Opening net book amount	706	3,010	63	5,418	6,988	6,060	22,245
Exchange differences	-	-	-	(6)	(8)	(12)	(26)
Additions	-	-	-	1,669	2,700	1,778	6,147
Disposals	(706)	(2,990)	(62)	-	(364)	(111)	(4,233)
Disposals relating to Altus Capital Planning division	-	-	-	-	-	(276)	(276)
Depreciation charge	-	(20)	(1)	(879)	(2,268)	(2,026)	(5,194)
Closing net book amount	-	-	-	6,202	7,048	5,413	18,663
Balance as at December 31, 2012							
Cost	-	-	-	8,514	16,459	15,515	40,488
Accumulated depreciation	-	-	-	(2,312)	(9,411)	(10,102)	(21,825)
Net book amount	-	-	-	6,202	7,048	5,413	18,663
<b>Three months ended March 31, 2013</b>							
Opening net book amount	-	-	-	6,202	7,048	5,413	18,663
Exchange differences	-	-	-	4	3	11	18
Additions	-	-	-	110	394	256	760
Disposals	-	-	-	-	(21)	-	(21)
Depreciation charge	-	-	-	(211)	(501)	(416)	(1,128)
Closing net book amount	-	-	-	6,105	6,923	5,264	18,282
<b>Balance as at March 31, 2013</b>							
Cost	-	-	-	8,634	16,753	15,780	41,167
Accumulated depreciation	-	-	-	(2,529)	(9,830)	(10,516)	(22,875)
Net book amount	\$ -	\$ -	\$ -	\$ 6,105	\$ 6,923	\$ 5,264	\$ 18,292

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 9. Intangibles

	Brands of Acquired Businesses	Computer Application Software	Custom Software Application	Internally Generated Software	Customer Backlog	Customer Lists	Databases	Non-compet Agreements	Indefinite Life Brands	Total
Balance as at January 1, 2012										
Cost	\$ 12,928	\$ 8,758	\$ 22,734	\$ 3,392	\$ 9,640	\$ 128,473	\$ 2,735	\$ 12,459	\$ 23,320	\$ 224,439
Accumulated amortization	(12,928)	(3,289)	(11,496)	(15)	(9,488)	(74,332)	(2,735)	(11,689)	-	(125,972)
Net book amount	-	5,469	11,238	3,377	152	54,141	-	770	23,320	98,467
Year ended December 31, 2012										
Opening net book amount	-	5,469	11,238	3,377	152	54,141	-	770	23,320	98,467
Exchange differences	-	(6)	(263)	(98)	(3)	(1,159)	-	(14)	(440)	(1,983)
Additions	-	1,182	39	971	-	-	-	-	-	2,192
Amortization charge	-	(1,498)	(2,837)	(219)	(139)	(11,981)	-	(508)	-	(17,182)
Disposals relating to Altus Capital Planning division	-	(22)	-	-	-	(701)	-	-	-	(723)
Disposals	-	-	(1)	-	-	-	-	-	-	(1)
Impairment charge	-	-	-	(748)	-	-	-	-	-	(748)
Closing net book amount	-	5,125	8,176	3,283	10	40,300	-	248	22,880	80,022
Balance as at December 31, 2012										
Cost	12,232	9,871	18,014	4,268	9,635	124,945	2,735	11,697	22,880	216,277
Accumulated amortization and impairment	(12,232)	(4,746)	(9,838)	(985)	(9,625)	(84,645)	(2,735)	(11,449)	-	(136,255)
Net book amount	-	5,125	8,176	3,283	10	40,300	-	248	22,880	80,022
<b>Three months ended March 31, 2013</b>										
Opening net book amount	-	5,125	8,176	3,283	10	40,300	-	248	22,880	80,022
Exchange differences	-	3	173	71	-	847	-	5	371	1,470
Additions	-	4	12	-	-	-	-	-	-	16
Amortization charge	-	(386)	(606)	(178)	(10)	(2,222)	-	(119)	-	(3,521)
Closing net book amount	-	4,746	7,755	3,176	-	38,925	-	134	23,251	77,987
<b>Balance as at March 31, 2013</b>										
Cost	12,139	9,879	18,268	4,363	9,634	125,289	2,735	11,673	23,251	217,231
Accumulated amortization and impairment	(12,139)	(5,133)	(10,513)	(1,187)	(9,634)	(86,364)	(2,735)	(11,539)	-	(139,244)
<b>Net book amount</b>	<b>\$ -</b>	<b>\$ 4,746</b>	<b>\$ 7,755</b>	<b>\$ 3,176</b>	<b>\$ -</b>	<b>\$ 38,925</b>	<b>\$ -</b>	<b>\$ 134</b>	<b>\$ 23,251</b>	<b>\$ 77,987</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 10. Goodwill

	Amount
Balance as at January 1, 2012	
Cost	\$ 233,153
Accumulated impairment	(19,202)
Net book amount	213,951
Year ended December 31, 2012	
Opening net book amount	213,951
Acquisitions	1,030
Disposal relating to Altus Capital Planning division	(5,471)
Impairment charge	(21,752)
Exchange differences	(1,619)
Closing net book amount	186,139
Balance as at December 31, 2012	
Cost	227,144
Accumulated impairment	(41,005)
Net book amount	186,139
<b>Three months ended March 31, 2013</b>	
Opening net book amount	186,139
Exchange differences	350
Closing net book amount	186,489
<b>Balance as at March 31, 2013</b>	
Cost	228,163
Accumulated impairment	(41,674)
<b>Net book amount</b>	<b>\$ 186,489</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 11. Trade and Other Payables

	March 31, 2013	December 31, 2012
Trade payables	\$ 6,732	\$ 7,887
Accrued expenses	32,333	34,213
Deferred revenue	12,740	12,047
Amounts due to related parties (Note 24)	-	150
Contingent consideration payable (Note 22)	12,886	12,261
Dividends payable	3,504	3,491
Lease inducements	5,384	5,430
Redemption proceeds payable	156	240
	<b>73,735</b>	<b>75,719</b>
Less non-current portion: accrued expenses	1,361	781
Less non-current portion: deferred revenue	263	152
Less non-current portion: lease inducements	5,143	5,187
	<b>\$ 66,968</b>	<b>\$ 69,599</b>

### 12. Borrowings

	March 31, 2013	December 31, 2012
<b>Borrowings (Current):</b>		
Leasehold improvement loans	\$ 61	\$ 67
Insurance financing loan	744	1,186
Finance lease liabilities	100	108
	<b>905</b>	<b>1,361</b>
<b>Borrowings (Non-current):</b>		
Revolving Term Facility	117,550	119,550
Leasehold improvement loans	283	315
Finance lease liabilities	147	165
Canadian convertible debentures <sup>(1)</sup>	91,826	91,826
Less: deferred financing fees	(5,724)	(6,407)
	<b>204,082</b>	<b>205,449</b>
<b>Total Borrowings</b>	<b>\$ 204,987</b>	<b>\$ 206,810</b>

<sup>(1)</sup> Canadian convertible debentures refer to the \$50,000 and \$48,000 convertible unsecured subordinated debentures issued on December 1, 2010 and April 19, 2012, respectively.

For the three months ended March 31, 2013, the Company repaid \$2,000 on the Revolving Term Facility.





**Notes to Interim Condensed Consolidated  
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March 31, 2013 and 2012  
(Unaudited)**

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

## 13. Provisions

	Onerous Leases	Asset Retirement Obligation	Restructuring	Commodity Taxes	Total
Balance as at January 1, 2012	\$ 492	\$ 76	\$ 2,671	\$ -	\$ 3,239
Charged (credited) to profit or loss:					
Additional provisions	71	-	4,371	435	4,877
Unused amounts reversed	-	-	(1,119)	-	(1,119)
Unwinding of discount	19	13	-	-	32
Used during the year	(336)	-	(4,420)	-	(4,756)
Exchange differences	(9)	(1)	(63)	-	(73)
Balance as at December 31, 2012	237	88	1,440	435	2,200
Charged (credited) to profit or loss:					
Additional provisions	-	-	1,133	-	1,133
Unwinding of discount (Note 4)	2	3	-	-	5
Used during the period	(73)	-	(629)	-	(702)
Exchange differences	3	3	5	-	11
Balance as at March 31, 2013	169	94	1,949	435	2,647
Less: non-current portion	-	94	519	-	613
	\$ 169	\$ -	\$ 1,430	\$ 435	\$ 2,034

### *Onerous leases*

The amount represents the liability for leased premises which are sub-leased at a lower rate. The provision is made for the net losses being incurred over the period of the lease.

### *Asset retirement obligation*

The asset retirement obligation relates to the estimated future cost to remove leasehold improvements situated on a property under an operating lease. The liability is expected to be settled in 2016 and has been discounted at a rate of 15%. Upon the initial recognition of the liability, an asset retirement cost has been capitalized in property, plant and equipment and is being amortized over the remaining useful life.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 13. Provisions, cont'd

#### *Restructuring*

In 2011, the Company undertook a review of Global Cost operations and developed a restructuring plan to drive efficiencies and enhance profitability. In 2012, restructuring initiatives were also implemented with respect to corporate costs, the Altus Capital Planning division and North America Realty Tax. During the three months ended March 31, 2013, the Company implemented a restructuring plan with respect to Argus Software and recorded a restructuring charge of \$1,133. These charges relate primarily to employee severance costs. The non-current portion of the liability is expected to be settled by 2014.

#### *Commodity taxes*

In the ordinary course of business, the Company is subject to tax audits from various government agencies relating to income and commodity taxes. During the year ended December 31, 2012, Altus Group Limited was audited by the Canada Revenue Agency ("CRA") for both the Goods and Services Tax ("GST") and the Harmonized Sales Tax ("HST") for the 2010 and 2011 years and Altus LP was audited for the 2009 and 2010 years. Altus Group Limited and Altus LP have received Proposed Assessments from the CRA. Should the CRA be successful in its assertions, the Company's maximum exposure is \$1,122. A provision of \$435 was recorded in the year ended December 31, 2012 within office and other operating expenses. This represents management's best estimate of the amount expected to be paid based on both qualitative and quantitative assessments. Future estimates may be different and a change in the provision may be required.

### 14. Derivative Financial Instruments

	March 31, 2013	December 31, 2012
Interest rate swaps designated as cash flow hedges	\$ (2,697)	\$ (2,766)
Interest rate swaps not designated as cash flow hedges	(1,021)	(1,017)
	(3,718)	(3,783)
Less: non-current portion	(3,718)	(3,783)
	\$ -	\$ -

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 15. Amounts Payable to Unitholders

The Company has classified certain units as financial liabilities at fair value through profit or loss as outlined below:

#### **Altus UK LLP Class B and Class D limited liability partnership units**

As part of the formation of Altus UK LLP, 455,418 Class B limited liability partnership units were issued to the sellers of the predecessor operating entity, who are also current member-partners of Altus UK LLP, and 293,818 Class D limited liability partnership units were issued for the beneficial interest of certain employees of the predecessor operating entity. Each Altus UK LLP Class B and Class D limited liability partnership unit is entitled to an allocation from profits in an amount equal to the cash dividends declared and paid on the same number of common shares in respect of the same accounting period. The Class B and Class D limited liability partnership units have no additional interest in the equity of the partnership and are not included in the calculation of diluted earnings per share.

	Altus UK LLP Class B units		Altus UK LLP Class D units		Total
	Number of Units	Amount	Number of Units	Amount	Amount
Balance as at January 1, 2012	260,823	\$ 913	147,416	\$ 516	\$ 1,429
Redemption of units <sup>(1)</sup>	(31,397)	(139)	(7,351)	(60)	(199)
Change in fair value	-	1,121	-	701	1,822
Balance as at December 31, 2012	229,426	1,895	140,065	1,157	3,052
Change in fair value (Note 4)	-	(16)	-	(10)	(26)
<b>Balance as at March 31, 2013</b>	<b>229,426</b>	<b>\$ 1,879</b>	<b>140,065</b>	<b>\$ 1,147</b>	<b>\$ 3,026</b>

<sup>(1)</sup> On November 4, 2010, 6,375 Altus UK LLP Class B limited liability partnership units were redeemed at a value of \$15.39 per unit, proceeds of which were being held in trust for a two year period. During the three months ended March 31, 2012, it was determined that proceeds of \$98 were no longer payable. On June 1, 2012 and July 26, 2012, 10,861 and 20,536 Altus UK LLP Class B limited liability partnership units were redeemed at a value of \$7.20 per unit and \$7.72 per unit, respectively. On November 15, 2012, 7,351 Altus UK LLP Class D limited liability partnership units were redeemed at a value of \$8.21 per unit.

# Altus Group Limited



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### 16. Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value. Common shares issued and outstanding are as follows:

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2012	23,042,089	\$ 280,035
Issued under Share Option Plan (Note 19)	3,666	40
Issued under purchase price adjustments	12,132	105
Share redemption and cancellation	(124,243)	(953)
Balance as at December 31, 2012	22,933,644	279,227
Issued under Share Option Plan (Note 19)	89,898	998
Treasury shares purchased under Restricted Share Plan (Note 19)	(192,059)	(2,277)
<b>Balance as at March 31, 2013</b>	<b>22,831,483</b>	<b>\$ 277,948</b>

The 22,831,483 common shares as at March 31, 2013 are net of 192,059 treasury shares with a stated value of \$2,277 that are being held by the Company under the terms of the Restricted Share Plan until vesting conditions are met.

During the three months ended March 31, 2013, the Company implemented a Dividend Reinvestment Plan ("DRIP") for shareholders of the Company who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividend distributions in additional common shares of the Company.

Pursuant to the DRIP, and in the case where common shares are issued from treasury, cash dividend distributions will be reinvested in additional shares of the Company at the weighted average market price of common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount of up to 5%. In the case where common shares will be purchased on the open market, cash dividend distributions will be reinvested in additional shares of the Company at the relevant, average market price paid in respect of satisfying this reinvestment plan.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 17. Contributed Surplus

	Amount
Balance as at January 1, 2012	\$ 2,227
Share-based compensation	318
Share redemption and cancellation	953
Gain on sale of shares that were held in escrow	114
Shares issued under Share Option Plan	(14)
Balance as at December 31, 2012	3,598
Reclassification related to Restricted Share Plan (Note 19)	2,277
Share-based compensation (Note 19)	121
Shares issued under Share Option Plan	(484)
<b>Balance as at March 31, 2013</b>	<b>\$ 5,512</b>

### 18. Accumulated Other Comprehensive Income (Loss)

	Currency			Total
	Translation Reserve	Cash Flow Hedges		
Balance as at January 1, 2012	\$ 4,755	\$ (3,285)	\$	1,470
Cash flow hedges:				
Change in fair value	-	1,237		1,237
Deferred tax impact	-	(318)		(318)
Currency translation differences	(3,274)	-		(3,274)
Balance as at March 31, 2012	1,481	(2,366)		(885)
Balance as at January 1, 2013	1,077	(2,044)		(967)
Cash flow hedges:				
Change in fair value	-	69		69
Deferred tax impact	-	(18)		(18)
Currency translation differences	1,299	-		1,299
<b>Balance as at March 31, 2013</b>	<b>\$ 2,376</b>	<b>\$ (1,993)</b>	<b>\$</b>	<b>383</b>

# Altus Group Limited



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(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 19. Share-based Compensation

#### Executive Compensation Plan

The Company has an Executive Compensation Plan that is comprised of two elements: (a) a common share option plan (the "Share Option Plan") and (b) an equity compensation plan (the "Equity Compensation Plan"). These are both equity-settled compensation arrangements and are available to executives and key employees.

#### (a) Share Option Plan

The Share Option Plan provides for the grant of options that have a maximum term of 72 months. The Administrators of the Share Option Plan have discretion as to the number of options issued, the expiration date of each option, the extent to which each option is exercisable during the term of the option, and any other terms and conditions relating to each option; although it is anticipated that: (i) an option shall vest no earlier than 12 months from the date of its grant (the "Vesting Date"); and, (ii) the period during which the option shall be exercisable shall be 12 months from the Vesting Date. The exercise price for the options under the Share Option Plan is calculated as the volume weighted average closing price of the common shares on the TSX for the five business days immediately preceding such grant date. Except in specific defined circumstances, an option and all rights to purchase common shares are forfeited upon the optionee ceasing to be an employee of the Company.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2012	955,221	\$10.92
Granted on April 5, 2012	370,000	\$7.25
Granted on September 19, 2012 <sup>(1)</sup>	250,000	\$8.81
Granted on December 20, 2012	25,000	\$8.30
Exercised	(3,666)	\$7.28
Forfeited	(385,961)	\$10.86
Balance as at December 31, 2012	1,210,594	\$9.34
Granted on March 25, 2013	200,000	\$8.36
Exercised	(89,898)	\$5.71
<b>Balance as at March 31, 2013</b>	<b>1,320,696</b>	<b>\$9.44</b>

<sup>(1)</sup> The 250,000 share options granted on September 19, 2012 were issued outside of the Share Option Plan, and as such, are subject to the following terms which differ from the Share Option Plan: (i) maximum term and maturity of 108 months; and, (ii) vested options not exercised within five years of their vesting date are forfeited.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 19. Share-based Compensation, cont'd

Information about the Company's options outstanding and exercisable as at March 31, 2013 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$7.28	91,056	0.09 years	91,056
\$13.86	362,686	0.60 years	181,343
\$0.39	21,954	6.79 years	21,954
\$7.25	370,000	1.96 years	25,000
\$8.81	250,000	6.99 years	-
\$8.30	25,000	2.72 years	-
\$8.36	200,000	2.99 years	-
<b>\$9.44</b>	<b>1,320,696</b>	<b>2.66 years</b>	<b>319,353</b>

The options granted in the first quarter of 2013 vest over a period of 12 to 36 months. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	March 2013 Grant
Risk-free interest rate	1.02%
Expected yield	8.68%
Expected volatility	37%
Expected option life	2-4 years
Weighted average grant-date fair value per share option	\$1.06

The volatility is measured based on statistical analysis of the historical daily common share prices over the life of the options.

During the three months ended March 31, 2013, the Company recorded compensation expense of \$102 (three months ended March 31, 2012 - \$55) related to options granted to employees with a corresponding credit to contributed surplus (Note 17).



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 19. Share-based Compensation, cont'd

#### (b) Equity Compensation Plan

Under the Equity Compensation Plan, the Company is entitled in its sole discretion to issue to each participant a portion of his or her annual discretionary bonus in common shares. On each day that a participant is paid any portion of his or her annual discretionary bonus, the Company may pay a certain percentage of that portion in cash and issue a number of common shares equal to the remainder of that portion divided by the volume weighted average closing price of the common shares on the TSX for the five business days ending on the day prior to such issuance.

During the three months ended March 31, 2013, the Company recorded compensation expense of \$Nil (three months ended March 31, 2012 - \$Nil) with respect to the Equity Compensation Plan.

#### Employee Equity Plan

In 2013, the Company has formally established an Employee Equity Plan that is structured as a restricted share plan (the "RS Plan") in Canada and as a restricted share unit plan (the "RSU Plan") outside of Canada. This incentive compensation plan is available to executives, senior management and key employees and has been implemented in respect of incentive compensation awarded for 2012. Annual grants of restricted shares ("RSs") or restricted share units ("RSUs") will form part of the total annual discretionary bonus awarded to executives, senior management and key employees which typically will be comprised of an annual cash bonus of 80% and a RS or RSU award of approximately 20%. The total annual discretionary bonus is based on the Company exceeding certain annual performance targets, which are set annually.

##### *RS Plan*

If annual performance targets are met, RSs will be awarded within three months of that performance year and will not be available to the employee until three years following the date of the award. The Company will contribute funds to purchase the RSs in the open market and these RSs will be held by the Company until they vest. After three years from the date of grant, the RSs are released to employees, provided, subject to certain exceptions such as disability or death, they are employed with the Company at the time of release. If an employee resigns from the Company or is terminated for cause, all RSs that have not yet been released from the three-year restriction period are forfeited. This is an equity-settled compensation arrangement and the fair value of the grant is recognized over the vesting period with a corresponding credit to contributed surplus.





## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 19. Share-based Compensation, cont'd

In connection with the 2012 performance year, the Company granted a total of \$2,277 under the RS Plan. As 2013 is the year of initial adoption of the plan, there was a reclassification of \$2,277 previously recorded within trade and other payables to contributed surplus (Note 17). Further, the Company purchased a total of 192,059 RSs with a cost of \$2,277 on the open market during the three months ended March 31, 2013. This amount has been shown as a reduction in the carrying value of the Company's common shares (Note 16). None of these RSs have vested.

During the three months ended March 31, 2013, the Company recorded compensation expense of \$19 related to awards under the RS Plan with a corresponding credit to contributed surplus (Note 17).

#### *RSU Plan*

If annual performance targets are met, RSUs will be awarded within three months of that performance year and will vest on the third anniversary date of the grant. After three years from the date of grant, participants are entitled to receive the cash equivalent of a common share of the Company for each RSU, provided they are employed with the Company at that time. If an employee resigns from the Company or is terminated for cause prior to the vesting date, all RSUs are forfeited. This is a cash-settled compensation arrangement and the fair value of the grant is recognized over the vesting period with a corresponding credit to trade and other payables. Changes in the liability subsequent to the grant date and prior to settlement, due to changes in fair value of the Company's common shares, are recorded in compensation expense in the period incurred.

In connection with the 2012 performance year, the Company granted 61,976 RSUs during the three months ended March 31, 2013. None of these RSUs have vested.

During the three months ended March 31, 2013, the Company recorded compensation expense of \$3 related to awards under the RSU Plan with a corresponding credit to trade and other payables. As at March 31, 2013, the carrying value of the liability recorded within trade and other payables was \$521.

#### **Directors' Deferred Share Unit Plan**

The Company has a Directors' Deferred Share Unit Plan (the "DSU Plan"), under which members of the Company's Board of Directors, who are not management, elect annually to receive all or a portion of their annual retainers and fees in the form of deferred share units ("DSUs"), which are classified as trade and other payables. The DSUs vest on the date they are granted and are settled in cash upon termination of Board service. This is a cash-settled compensation arrangement.

During the three months ended March 31, 2013, the Company granted 6,304 DSUs. As at March 31, 2013, 52,351 DSUs were outstanding.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 19. Share-based Compensation, cont'd

During the three months ended March 31, 2013, the Company recorded executive compensation expense of \$55 related to awards under the DSU Plan with a corresponding credit to trade and other payables. As at March 31, 2013, the carrying value of the liability recorded within trade and other payables was \$435.

### 20. Earnings (Loss) per Share

Basic net earnings (loss) per share is calculated by dividing profit (loss) by the weighted average number of shares outstanding during the period.

The dilutive effect of stock options is determined using the treasury stock method. The dilutive effect of contingently issuable shares is determined based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period and the contingency has been met. The contingently issuable shares are included in the denominator of diluted earnings (loss) per share as of the beginning of the year, or as of the date of the contingent share agreement, if later. For the purposes of the weighted average number of shares outstanding, shares are determined to be outstanding from the date they are issued.

For the three months ended March 31, 2013, 812,686 common share options outstanding were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

For the three months ended March 31, 2012, 883,666 common share options outstanding were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive. Also, the convertible debentures issued in 2010 were excluded from the diluted earnings (loss) per share as the impact would have been anti-dilutive.

The following tables summarize the basic and diluted earnings (loss) per share and the basic and diluted weighted average number of common shares outstanding:

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 20. Earnings (Loss) per Share, cont'd

	Three months ended March 31, 2013	Three months ended March 31, 2012
Profit (loss) for the period - basic	\$ 6,843	\$ 2,868
Interest expense on Canadian convertible debentures, net of income tax	1,423	-
Interest expense on US convertible debentures, net of income tax	-	642
Foreign exchange (gain) loss on US convertible debentures, net of income tax	-	(1,197)
<b>Profit (loss) for the period - diluted</b>	<b>\$ 8,266</b>	<b>\$ 2,313</b>
Weighted average number of common shares outstanding - basic	22,936,930	23,042,089
Dilutive effect of stock options issued	82,483	39,534
Dilutive effect of contingently issuable shares	1,067,993	17,234
Dilutive effect of Canadian convertible debentures	7,488,172	-
Dilutive effect of treasury shares held under the RS Plan	10,670	-
Dilutive effect of US convertible debentures	-	3,351,042
<b>Weighted average number of common shares outstanding - diluted</b>	<b>31,586,248</b>	<b>26,449,899</b>
Earnings (loss) per share:		
Basic	\$0.30	\$0.12
Diluted	\$0.26	\$0.09

### 21. Dividends

Dividends are declared in Canadian Dollars. Details of dividends declared per share are as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Common shares	\$0.15	\$0.15
Altus UK LLP Class B and D limited liability partnership units	\$0.15	\$0.15

The Company declared dividends on a quarterly basis to shareholders of record on the last business day of the quarter with dividends paid on the 15<sup>th</sup> day of the month following quarter end.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 21. Dividends, cont'd

Altus UK LLP declared distributions on a quarterly basis to unitholders of record as of the last business day of each quarter with distributions paid on the 15<sup>th</sup> day of the month following the end of the quarter.

### 22. Financial Instruments and Fair Values

Fair value measurements recognized in the balance sheet must be classified in accordance with the fair value hierarchy established by International Accounting Standard 39, Financial Instruments: Recognition and Measurement, which reflects the significance of the inputs used in determining the measurements. The inputs can be either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The tables below present financial instruments that are measured at fair value. The different levels in the hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: Inputs for the asset or liability that are not based on observable market data.

	March 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,309	\$ -	\$ -	\$ 5,309
<b>Liabilities:</b>				
Derivative financial instruments	-	3,718	-	3,718
Contingent consideration payable	-	-	12,886	12,886
Amounts payable to unitholders	3,026	-	-	3,026

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 22. Financial Instruments and Fair Values, cont'd

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,703	\$ -	\$ -	\$ 4,703
<b>Liabilities:</b>				
Derivative financial instruments	-	3,783	-	3,783
Contingent consideration payable	-	-	12,261	12,261
Amounts payable to unitholders	3,052	-	-	3,052

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Amounts payable to unitholders are recorded in Level 1 and are measured at fair value using the quoted market price of the Company's own shares. Cash and cash equivalents are also recorded in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Derivative financial instruments are recorded in Level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The valuation of derivative instruments linked to the Canadian convertible debentures are related to quoted market prices under certain estimated future options.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Contingent consideration payable is the only instrument recorded as Level 3 as the amount payable is not based on observable inputs. Contingent consideration is measured using a discounted cash flow analysis of expected payment in future periods. The discount rate used of 9.7% is based on management's estimate of credit and other risk factors.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 22. Financial Instruments and Fair Values, cont'd

	Contingent Consideration Payable (Discounted)
Balance as at January 1, 2012	\$ 6,472
Change in expected payment recorded through profit or loss	5,769
Unwinding of discount	574
Settlements	(404)
Exchange differences	(150)
Balance as at December 31, 2012	12,261
Change in expected payment recorded through profit or loss	210
Unwinding of discount (Note 4)	141
Exchange differences	274
<b>Balance as at March 31, 2013</b>	<b>\$ 12,886</b>

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$21, respectively.

The estimated, nominal contractual amount of contingent consideration as at March 31, 2013 is \$13,049 (December 31, 2012 - \$12,560).

Cash and cash equivalents, trade and other receivables (excluding prepayments and lease inducements) and trade and other payables (excluding lease inducements, deferred revenue and contingent consideration payable), due within one year, are all short-term in nature and, as such, their carrying values approximate fair values. The fair value of non-current trade and other payables (excluding lease inducements, deferred revenue and contingent consideration payable) is estimated by discounting the future contractual cash flows at the cost of money to the Company, which is equal to its carrying value.

The fair values of the credit facilities and finance lease liabilities approximate their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair value of the 2010 and 2012 convertible debentures as at March 31, 2013 was approximately \$48,775 and \$49,325, respectively, based on the published trading prices on the TSX.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2013 and 2012 (Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 23. Commitments and Contingencies

The Company leases various offices and equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2013	December 31, 2012
No later than 1 year	\$ 10,906	\$ 11,140
Later than 1 year and no later than 5 years	24,629	26,408
Later than 5 years	18,507	19,104
Total	\$ 54,042	\$ 56,652

As at March 31, 2013, the Company provided letters of credit of approximately \$884 to its lessors (December 31, 2012 - \$862 to its lessors).

From time to time, the Company or its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from pending litigation will not have a material adverse effect on the financial position or results of operations of the Company.

In the ordinary course of business, the Company is subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions made by the Company in its tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on the Company's financial position or results of operations.

As previously noted, the Company is currently being audited by the CRA with respect to certain input tax credits claimed. The maximum exposure to the Company is \$1,122, however, the Company is defending its filing position. A total of \$435 has been provided for in the unaudited interim condensed consolidated financial statements (Note 13).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 24. Related Party Transactions

The Company provides appraisal services to Real Matters, an entity in which the Company holds a 25.7% equity interest as at March 31, 2013. During the three months ended March 31, 2013, the Company recorded revenues of \$2 for appraisal services provided to Real Matters (three months ended March 31, 2012 - \$2).

Effective January 1, 2013, the Company sold ARL to Real Matters for consideration of \$8,200, subject to adjustments (Note 6). The purchase price was settled through the issuance of additional Real Matters common shares. An accounting gain of \$5,278 was recorded on the transaction. As a result of the ARL sale, the asset relating to the Referral and Services Agreement between ARL and Real Matters was transferred to Real Matters and trade and other receivables were reduced by the unamortized payment of \$2,882 at the time of sale (Note 7). During the three months ended March 31, 2012, the Company recorded expenses of \$152 as per the Referral and Services Agreement between ARL and Real Matters. As part of the Referral and Services Agreement, the Company paid a sales and account management fee of \$3,500 with respect to services that were to be performed over the 20 year agreement ending April 2029. This amount was included with trade and other receivables and was being amortized on a straight-line basis over the term of the contract.

As part of ongoing operations with Real Matters, there was \$Nil included in trade and other payables and \$4 included in trade and other receivables as at March 31, 2013 (December 31, 2012 - \$150 and \$271, respectively).

All related party transactions were in the normal course of operations and measured at the exchange amount.

### Key Management Compensation

Key management includes the Board of Directors, officers and business unit presidents. The compensation paid or payable to key management for employee services is shown below:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Salaries and other short-term employee benefits	\$ 2,067	\$ 1,790
Termination benefits	419	692
Share-based payments	130	140
	\$ 2,616	\$ 2,622



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

(Expressed in Thousands of Dollars, Except for Shares and Per Share Amounts)

### 25. Comparative Figures

Certain comparative amounts have been reclassified to conform to the financial statement presentation adopted in 2013.



# Altus Group

## **LISTINGS**

Toronto Stock Exchange  
Stock trading symbol: AIF  
Convertible debenture trading symbols: AIF.DB and AIF.DB.A

## **AUDITORS**

ERNST & YOUNG LLP

## **LAWYERS**

GOODMANS LLP

## **TRANSFER AGENT**

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