

Consolidated Financial Statements of

IBI INCOME FUND

Period from August 31, 2004 to September 30, 2004
(Unaudited)

IBI INCOME FUND

Consolidated Balance Sheet
(In thousands of dollars)

September 30, 2004
(Unaudited)

Assets

Current assets:

Cash	\$	4,790
Accounts receivable (note 4)		608
Work in process		8,447
Prepaid expenses and other assets		1,083
		<hr/>
		14,928

Cash held in priority capital account (note 7)		31,789
Deferred charges		348
Capital assets		2,179
Future income taxes		385
Intangible assets:		
Customer relationships		2,479
Contracts		4,583
Goodwill		77,561

\$ 134,252

Liabilities and Unitholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$	5,651
Income taxes payable		313
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		5,964

Deferred credit - leases		1,683
Priority capital account (note 7)		31,789
Non-controlling interest (note 8)		50,258
Unitholders' equity (note 8)		50,258
Deficit		(5,700)
		<hr/>
		128,288

Commitments and contingencies (note 9)

\$ 134,252

See accompanying notes to consolidated financial statements.

On behalf of the Trustee:

IBI INCOME FUND

Consolidated Statement of Earnings and Deficit
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

Revenue:		
Fees		\$ 7,711
Other income		6
		<hr/>
		7,717
Expenses:		
Salaries, fees and employee benefits		4,855
Rent		477
Other operating costs		1,032
Amortization		547
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		6,911
Earnings before income taxes		806
Income taxes		163
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Net earnings		643
Distributions declared to unitholders		(942)
Issue costs		(5,401)
		<hr/>
Deficit		\$ (5,700)
Net earnings per unit		\$ 0.064

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

Consolidated Statement of Cash Flows
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

Cash provided by (used in):

Operating activities:

Net earnings	\$ 643
Items not affecting cash:	
Amortization of capital assets	109
Amortization of intangible assets	438
	1,190
<u>Change in non-cash operating working capital</u>	<u>(5,867)</u>
	(4,677)

Financing activities:

Issuance of units	50,258
Issue costs	(5,400)
	<u>44,858</u>

Investing activities:

Purchase of capital assets, net	(33)
Cash used in business combination (note 7)	(35,358)
	<u>(35,391)</u>

Increase in cash, being cash, end of period	\$ 4,790
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Supplemental cash flow information:

Income taxes paid	\$ 29
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See accompanying notes to consolidated financial statements.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

1. Basis of presentation:

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include all of the assets, liabilities, revenue and expenses of the following entities:

IBI Group (a Partnership)
IBI Group (U.S.) (a Partnership)
Cumming Cockburn Limited
CCL Consultants Inc.
InterBase Consultants Ltd.
Irwin Beinhaker InterBase Limited

These financial statements reflect only the activities carried on by IBI Income Fund (the "Fund"). Transactions and balances between the partnerships and the companies have been eliminated.

2. Organization and description of the business:

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, created to indirectly acquire and hold the outstanding Class A partnership units of IBI Group, a general partnership formed under the laws of the Province of Ontario.

On August 24, 2004, the Fund filed a final prospectus relating to the sale to the public of 5,025,778 trust units ("Units") at a price of \$10.00 per Unit for net proceeds of \$44,858 after deducting expenses of the offering and underwriters' fees in the amount of \$5,400 (the "Offering").

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

2. Organization and description of the business (continued):

On the closing of the Offering, IBI Group purchased certain assets (the "Acquisition") from IBI Group Management Partnership (the "Management Partnership") on August 31, 2004. These assets consisted of all customer contracts, employment agreements, leasehold interests, furniture and equipment, and the ownership of IBI Group U.S., Irwin Beinhaker InterBase Limited, Cumming Cockburn Limited, CCL Consultants Inc. and InterBase Consultants Limited, but excluded any net working capital as of the closing of the Offering. The purchase price of \$85,616 was paid by the issuance of 5,025,778 Class B subordinated partnership units of IBI Group. Included in the rights attaching to the Class B subordinated partnership units is the right to call for and be paid the priority capital account of \$35,593, \$3,569 of which was distributed to the Management Partnership on the closing of the Offering. The holder of the Class B units has also been issued 5,025,778 non-participating voting units of the Fund resulting in the holder of the Class B subordinated partnership units of IBI Group holding 50% of the voting units of the Fund.

The Acquisition will be accounted for using the purchase method with the purchase price being allocated to the fair value of the assets and liabilities as follows:

Net assets acquired:	
Capital assets	\$ 2,255
Intangible assets, including customer relationships	2,500
Contracts	5,000
Goodwill	77,561
Deferred credit - leases	(1,700)
	<hr/>
	\$ 85,616
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Consideration:	
Class B subordinated partnership units of IBI Group	\$ 50,258
Cash	35,358
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	\$ 85,616
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IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

2. Organization and description of the business (continued):

The Fund has engaged an independent valuator who is currently undertaking a valuation of the intangibles acquired on the Acquisition. The valuation is likely to result in changes to amounts allocated to customer relationships and contracts, both definite life intangibles. These definite life intangibles will be amortized over their estimated lives, which will impact earnings from operations, but will not have an impact on cash flow from operations. The Fund expects to complete the full allocation of the purchase price prior to the completion of the audit of the financial statements of the Fund for the period ended December 31, 2004.

3. Significant accounting policies:

The significant accounting policies followed by the Fund are summarized below:

(a) Revenue recognition and work in process:

Revenue is recognized at estimated net realizable value as services are rendered. Billings in excess of time value incurred on jobs in progress are included in deferred revenue on the consolidated balance sheet.

Work in process, representing fee revenue and recoverable disbursements which have not been billed, is valued at estimated net realizable value.

Accounts receivable are classified as to current or long-term based on anticipated repayment dates.

(b) Cash balances:

Cash balances, which the Fund has the ability and intent to offset, are used to reduce reported bank indebtedness.

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

3. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Office furniture and equipment	Diminishing balance	20%
Electronic data processing equipment	Straight line	2 years
Vehicles	Diminishing balance	20%
Leasehold improvements	Straight line	Term of lease

(d) Customer relationships and contracts:

Amortization expense on the customer relationships and contracts, which have finite lives, has been recorded in the consolidated statement of income on a straight-line basis over 10 years and one year, respectively.

(e) Foreign exchange:

Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each period-end date. The resulting exchange gains or losses on translation are recognized as part of equity in cumulative foreign currency translation adjustment. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

Foreign exchange gains and losses on other transactions are recorded in income in the year in which they occur.

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

3. Significant accounting policies (continued):

(f) Income taxes:

The Fund uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets are recognized based on the temporary differences between the financial statement carrying values of existing capital assets and their respective income tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

(g) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in the amount equal to the excess and is presented as a separate line item in the consolidated statement of operations.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates.

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

4. Concentrations of credit risk:

Accounts receivable balances that potentially subject the Fund to concentrations of credit risk are primarily generated from work performed for clients on active projects of the Fund. The Fund performs ongoing credit evaluations of its clients' financial conditions. The Fund considers its concentration of credit risk with specific clients in determining its estimates of reserves for credit losses.

The following table details the Fund's revenue and accounts receivable balances allocated by geographical region:

Fees:			
Canada		\$	5,073
United States			1,761
International (non-United States)			883
			<hr/>
		\$	7,717
			<hr/>
Accounts receivable:			
Canada		\$	—
United States			—
International (non-United States)			608
			<hr/>
		\$	608

5. Capital assets:

	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 989	\$ 27	\$ 962
Electronic data processing equipment	900	61	839
Vehicles	61	1	60
Leasehold improvements	338	20	318
	<hr/>	<hr/>	<hr/>
	\$ 2,288	\$ 109	\$ 2,179

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

6. Income taxes:

The significant differences between the income taxes paid by the Fund and that payable by multiplying earnings before taxes by the applicable statutory rate of approximately 36% is as follows:

Expected income tax payable	\$ 290
Income of trust distributed directly to unitholders	(62)
Other	(65)
Income taxes	<u>\$ 163</u>

7. Priority capital account:

The Class B subordinated partnership units of IBI Group have a preferred entitlement to the capital of the Fund represented by the priority capital account. The holder of the Class B subordinated partnership units of IBI Group shall be entitled at any time to direct the Fund to distribute to it all or any part of the priority capital account then outstanding.

On closing, a distribution of \$3,569 was made to the holders of the Class B subordinated partnership units of IBI Group. The balance of the net proceeds raised, less \$9.5 million which was retained by IBI Group to fund its initial working capital, is being held for the holders of the Class B subordinated partnership units of IBI Group as the priority capital account.

8. Unitholders' equity:

	Units	Amount
Units outstanding, end of period	5,025,778	\$ 50,258

Each Unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments and entitles the holder to rights to redemption.

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

8. Unitholders' equity (continued):

Each Unit entitles the holder to one vote at all meetings of Unitholders and Non-Participating Unitholders.

The Class B subordinated partnership units of IBI Group are indirectly exchangeable for Units on the basis of one Unit for each Class B subordinated partnership unit. If all such Class B subordinated partnership units of IBI Group were exchanged for Units on September 30, 2004, the Units issued on such exchange would represent a 50% interest in the Fund. Distributions on the Class B subordinated partnership units, other than the distributions of income earned by IBI Group in respect of the priority capital account which shall be made in priority to any other distributions, will be subordinated to distributions on the Units until the "Conversion Date". The "Conversion Date" means the first date on which the Trustees of the Fund approve audited financial statements for a fiscal year of the Fund commencing with the fiscal year ending December 31, 2006 in which (i) average monthly distributions have been paid or are payable on each of the Units in an amount which is not less than \$0.09375 per Unit (on a diluted basis, including the exchange of the Class B subordinated partnership Units), and (ii) the Fund achieved earnings before interest, income taxes, depreciation and amortization ("EBITDA") as defined in the Company's final prospectus dated August 24, 2004, in such fiscal year of not less than \$14.242 million. During such period, 40% of the distributions which would otherwise be made monthly on the Class B subordinated partnership units will be subordinated and will be paid quarterly, subject to distributions for such fiscal year on each Unit having been made in an aggregate amount equal to the initially targeted distribution level of \$0.09375 for each month in that fiscal year up to the relevant quarter end.

Class B subordinated partnership units do not entitle the holder to voting rights at the meetings of Unitholders and Non-Participating Unitholders. At the time of issuance, one Non-Participating Voting Unit of the Fund was issued to the holder of the Class B subordinated partnership units for each Class B subordinated partnership unit.

IBI INCOME FUND

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Period from August 31, 2004 to September 30, 2004
(Unaudited)

9. Commitments and contingencies:

(a) Minimum annual rental payments for existing operating leases are as follows:

2005	\$ 4,343
2006	4,053
2007	3,833
2008	3,152
2009	2,849
Thereafter	7,963

(b) In the normal course of business, the Fund is a defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these consolidated financial statements.

10. Fair values of financial instruments:

As at September 30, 2004, the carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values.

11. Related party transactions:

IBI Group leases its Toronto office space from corporations, which are indirectly owned by the partners of IBI Group Management Partnership, which owns all of the Class B subordinated partnership units of the IBI Group, representing 50% of the outstanding partnership units of IBI Group. The leases were entered into in 2002 at then current market rates. Annual rental payments due on these leases are approximately \$1.8 million, which expire on December 31, 2012.

Pursuant to the Administration Agreement entered into in connection with the closing of the Fund's IPO, IBI Group and certain of its subsidiaries are paying to IBI Group Management Partnership an amount, representing the base compensation for the services of the principals and of the partners of IBI Group Management Partnership. This amount is currently \$0.65 million per month.