

Interim Consolidated Financial Statements of

IBI INCOME FUND

Three months ended March 31, 2005
(Unaudited)

IBI INCOME FUND

Interim Consolidated Balance Sheet
(In thousands of dollars)

March 31, 2005, with comparative figures for December 31, 2004

	2005	2004
	(Unaudited)	
Assets		
Current assets:		
Accounts receivable (note 3)	\$ 31,668	\$ 21,103
Work in process	11,335	8,402
Prepaid expenses and other assets	364	1,209
	<u>43,367</u>	<u>30,714</u>
Cash held in priority capital account	—	31,970
Deferred charges	517	570
Capital assets	2,490	2,409
Intangible assets, including customer relationships	4,325	7,133
Goodwill (note 2)	73,153	73,153
	<u>\$ 123,852</u>	<u>\$ 145,949</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 17,272	\$ 7,448
Accounts payable and accrued liabilities	9,045	6,336
Distributions payable	1,319	1,319
Due to related parties (notes 2 and 7)	4,614	5,752
Deferred revenue	2,022	893
Income taxes payable	210	68
	<u>34,482</u>	<u>21,816</u>
Deferred credit - leases (note 2)	1,363	1,463
Priority capital account	—	31,970
Non-controlling interest (note 5)	46,798	48,126
Unitholders' equity (note 7):		
Unit capital	50,258	50,258
Deficit	(9,040)	(7,712)
Cumulative foreign currency translation adjustment	(9)	28
	<u>41,209</u>	<u>42,574</u>
Contingencies (note 6)		
	<u>\$ 123,852</u>	<u>\$ 145,949</u>

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

Interim Consolidated Statement of Earnings and Deficit
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

Revenue:	
Fees (note 3)	\$ 23,273
Expenses:	
Salaries, fees and employee benefits (note 7)	15,625
Rent (note 7)	1,416
Other operating	2,691
Amortization	3,063
	<hr/> 22,795
Earnings before income taxes	478
Income taxes	306
	<hr/>
Earnings before non-controlling interest	172
Non-controlling interest	86
	<hr/>
Net earnings	86
Deficit, beginning of period	(7,712)
Distributions declared to Unitholders	(1,414)
	<hr/>
Deficit, end of period	\$ (9,040)
	<hr/>
Earnings per unit	\$ 0.0171
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Weighted average number of units outstanding	5,025,778

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

Interim Consolidated Statement of Cash Flows
(In thousands of dollars)

Three months ended March 31, 2005
(Unaudited)

Cash provided by (used in):

Operating activities:

Net earnings	\$	86
Non-controlling interest		86
Items not affecting cash:		
Amortization of capital assets		255
Amortization of intangible assets		2,808
Amortization of deferred credit - leases		(100)
Change in non-cash operating working capital		(8,630)
		<u>(5,495)</u>

Financing activities:

Increase in bank indebtedness		9,824
Distributions paid to Unitholders		(1,414)
Distributions paid to Class B subordinated Unitholders		(1,414)
Due to related parties		(1,138)
Repayment of priority capital		(31,970)
Reduction of cash held in Priority Capital Account		31,970
		<u>5,858</u>

Investing activities:

Purchase of capital assets		(363)
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Cash, beginning and end of period	\$	-
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Supplemental cash flow information:

Income taxes paid	\$	164
Interest paid		183

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

Notes to Interim Consolidated Financial Statements
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

1. Basis of presentation:

The accounting principles used in these interim consolidated financial statements are consistent with those used in annual consolidated financial statements. They do not include all the information and disclosure required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the annual financial statements for the period ended December 31, 2004.

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.

The Fund is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and systems technology. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

On August 24, 2004, the Fund filed a final prospectus relating to the sale to the public of 5,025,778 trust units at a price of \$10.00 per unit for net proceeds of \$44,678 after deducting expenses of the offering (the "Offering") and underwriters' fees in the amount of \$5,580.

On the closing of the Offering on August 31, 2004, IBI Group purchased certain assets (the "Acquisition") from IBI Group Management Partnership (the "Management Partnership"). 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 \$85,436 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 \$35,178, \$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.

IBI INCOME FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

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

As the Unitholders have the right to appoint the majority of the trustees of the Fund, the Acquisition has been accounted for using the purchase method with the purchase price being allocated to the fair value of the assets and liabilities as follows:

	2004
Net assets acquired:	
Capital assets	\$ 2,383
Intangible assets, including customer relationships	11,500
Goodwill	73,153
Deferred credit - leases (note 7)	(1,600)
	<hr/> \$ 85,436
Consideration:	
Class B subordinated partnership units of IBI Group	\$ 50,258
Cash	35,178
	<hr/> \$ 85,436

The net working capital on hand at August 31, 2004 is still being managed by the Fund and is being repaid to the Management Partnership as it is realized. As at March 31, 2005, working capital relating to the Management Partnership amounted to:

Accounts receivable	\$ 7,847
Accounts payable and accrued liabilities	(1,131)
Other	706
	<hr/> \$ 7,422

This amount is not included in the interim consolidated financial statements. At March 31, 2005, \$4,614 had been realized, to be paid to the Management Partnership, and is shown as a current liability.

IBI INCOME FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

3. 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:

	Three months ended March 31, 2005
Fees:	
Canada	\$ 15,783
United States	5,520
International (non-United States)	1,970
	\$ 23,273

	Three months ended March 31, 2005 (Unaudited)	Year ended December 31, 2004
Accounts receivable:		
Canada	\$ 17,782	\$ 11,512
United States	7,224	3,937
International (non-United States)	6,662	5,654
	\$ 31,668	\$ 21,103

IBI INCOME FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

4. Bank indebtedness:

Bank indebtedness consists of an authorized line of credit of \$17,000 of which \$16,000 was utilized as at March 31, 2005. The line of credit bears interest at the bank's prime lending rate plus 0.5% per annum. The credit facility has a term of three years and is secured by guarantees from certain of the subsidiaries of IBI Group and a first ranking security interest in all of the assets of IBI Group, subject to certain permitted encumbrances. The indebtedness secured by this security interest will rank senior to all other security over the assets of IBI Group, subject to certain permitted encumbrances.

5. Non-controlling interest:

The 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 holders of the Class B subordinated partnership units for each Class B subordinated partnership unit held. The Class B subordinated partnership units have been recorded as a non-controlling interest in the interim consolidated financial statements.

The significant movements in non-controlling interest are set out below:

Balance, beginning of period	\$ 48,126
Net earnings	86
Distributions	(1,414)
Balance, end of period	\$ 46,798

IBI INCOME FUND

Notes to Interim Consolidated Financial Statements (continued)
(In thousands of dollars, except per unit amount)

Three months ended March 31, 2005
(Unaudited)

6. Contingencies:

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 interim consolidated financial statements.

7. Related party transactions:

IBI Group leases its Toronto office space from corporations which are indirectly owned by the partners of the 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 \$1,800, which expire on December 31, 2012.

Pursuant to the Administration Agreement entered into in connection with the closing of the Offering, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount, representing the base compensation for the services of the principals of the partners of the Management Partnership. This amount was \$2,000 per month.

During the first quarter, priority capital of \$31,970 was distributed to the holders of Class B subordinated partnership units of IBI Group.