

Unaudited Interim Consolidated Financial Statements of

IBI INCOME FUND

Three months and nine months ended September 30, 2006

IBI INCOME FUND

Interim Consolidated Balance Sheets
(In thousands of dollars)

September 30, 2006, with comparative figures as at December 31, 2005

	2006	2005
	(Unaudited)	
Assets		
Current assets:		
Accounts receivable	\$ 46,457	\$ 34,910
Work in process	24,457	14,629
Prepaid expenses and other assets	2,049	924
Future income tax asset	558	540
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	73,521	51,003
Deferred charges	643	356
Capital assets	5,115	2,781
Intangible assets	6,636	4,505
Goodwill (note 3)	101,991	75,227
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	\$ 187,906	\$ 133,872
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness - net (note 4)	\$ 6,881	\$ 14,025
Accounts payable and accrued liabilities	16,180	17,950
Distributions payable	1,867	1,319
Due to related parties (notes 1 and 6)	967	6,530
Notes payable (note 3)	4,097	2,055
Deferred revenue	6,729	3,910
Income taxes payable	150	102
Class C Unit (note 3)	14,508	-
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	51,379	45,891
Deferred credit - leases	793	1,063
Long-term debt (note 4)	10,000	-
Non-controlling interest (note 5)	47,101	46,258
Unitholders' equity (note 5):		
Unit capital	89,220	50,258
Deficit	(10,169)	(9,580)
Cumulative foreign currency translation adjustment	(418)	(18)
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	78,633	40,660
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	\$ 187,906	\$ 133,872

Contingencies (note 8)

See accompanying notes to the unaudited interim consolidated financial statements.

IBI INCOME FUND

Interim Consolidated Statements of Earnings and Deficit
(In thousands of dollars, except per unit amounts)
(Unaudited)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Revenue:				
Fees	\$ 39,477	\$ 24,943	\$ 112,036	\$ 72,121
Expenses:				
Salaries, fees and employee benefits (note 6)	25,141	16,260	70,405	47,935
Rent (note 6)	2,034	1,424	5,832	4,311
Other operating	5,009	3,544	15,865	8,933
Amortization of capital assets	489	322	1,512	882
Amortization of intangible assets	938	809	2,693	4,392
Amortization of deferred credit – leases	(90)	(100)	(270)	(300)
Interest, net	540	244	1,369	636
	34,061	22,503	97,406	66,789
Earnings before income taxes	5,416	2,440	14,630	5,332
Income taxes				
Current	494	186	1,009	426
Earnings before non-controlling interest	4,922	2,254	13,621	4,906
Non-controlling interest (note 5)	1,820	1,127	5,360	2,453
Net earnings	3,102	1,127	8,261	2,453
Deficit, beginning of period	(10,580)	(9,213)	(9,580)	(7,712)
Distributions declared to Unitholders	(2,613)	(1,413)	(7,014)	(4,240)
Issue costs	(78)	–	(1,836)	–
Deficit, end of period	\$ (10,169)	\$ (9,499)	\$ (10,169)	\$ (9,499)
Basic and diluted net earnings per unit	\$ 0.3621	\$ 0.2242	\$ 1.0699	\$ 0.4880
Weighted average number of units outstanding	8,567,778	5,025,778	7,721,208	5,025,778

See accompanying notes to the unaudited interim consolidated financial statements.

IBI INCOME FUND

Interim Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 3,102	\$ 1,127	\$ 8,261	\$ 2,453
Non-controlling interest	1,820	1,127	5,360	2,453
Items not affecting cash:				
Amortization of capital assets	489	322	1,512	882
Amortization of intangible assets	938	809	2,693	4,392
Amortization of deferred credit - leases	(90)	(100)	(270)	(300)
Change in non-cash operating working capital:				
Current assets	(7,329)	(4,794)	(22,518)	(17,429)
Deferred charges	(4)	53	(287)	160
Accounts payable	2,048	5,238	(1,769)	12,169
Notes payable	2,072	—	2,042	—
Deferred revenue	1,468	290	2,819	2,116
Income taxes payable	150	39	48	62
Acquisition of working capital	(36)	71	(264)	71
	4,628	4,182	(2,373)	7,029
Financing activities:				
Long term debt	10,000	—	10,000	—
Distributions paid to Unitholders	(2,570)	(1,413)	(6,585)	(4,240)
Distributions paid to Class B subordinated Unitholders	(1,508)	(1,413)	(4,398)	(4,240)
Repayment of priority capital	—	—	—	(31,970)
Transfer of cash held in priority capital	—	—	—	31,970
Issuance of units	—	—	38,962	—
Issue costs	(78)	—	(1,836)	—
Due to related parties	800	2,358	(5,563)	(809)
	6,644	(468)	30,580	(9,289)
Investing activities:				
Purchase of capital assets	(534)	(329)	(1,963)	(1,084)
Acquisitions	(4,273)	(4,804)	(18,740)	(4,804)
	(4,807)	(5,133)	(20,703)	(5,888)
Effect of foreign currency translation	(400)	(2)	(360)	(12)
Net decrease (increase) in bank indebtedness	\$ 6,065	\$ (1,421)	\$ 7,144	\$ (8,160)
Bank indebtedness, beginning of the period	(12,946)	(14,187)	(14,025)	(7,448)
Bank indebtedness, end of period	\$ (6,881)	(15,608)	(6,881)	(15,608)
Supplemental cash flow information:				
Income taxes paid	\$ 314	\$ 147	\$ 929	\$ 364
Interest paid	540	244	1,369	636

See accompanying notes to the unaudited interim consolidated financial statements.

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

(Unaudited)

1. 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, which was created on July 23, 2004 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. IBI Group also issued Class B subordinated partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the Fund's business prior to its acquisition by the Fund. The Management Partnership holds 5,025,778 Class B subordinated partnership units and 1,844,200 units of the Fund, representing a total ownership of approximately 50.5% of IBI Group.

The Fund is an 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.

The net working capital remaining from the balance 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 September 30, 2006, \$967 (December 31, 2005 - \$1,726) had been realized, to be paid to the Management Partnership and is shown as a current liability.

2. Basis of presentation:

The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements. They do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2005.

3. Acquisitions:

Acquisitions are accounted for under the purchase method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Fund's reporting schedule, certain of the purchase allocations may not be finalized at the initial time of reporting. Purchase price allocations are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Fund. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required. The purchase prices of acquisitions are generally subject to price adjustment clauses

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included in the purchase agreements. Such purchase price adjustments generally result in an increase or reduction to the promissory note consideration recorded at acquisition to reflect either more or less non-working capital realized than was originally expected. These purchase price adjustments, therefore, have no net effect on the original purchase price allocations.

2006 Acquisitions

On January 1, 2006, the business of Daniel Arbour & Associates (“DAA”) was merged with the business of IBI Group. Based in Montreal, DAA is a provider of urban and regional planning, design and other professional services in the fields of housing, industrial, commercial and institutional uses. The merger with DAA included acquisition of Sodem Inc., which manages recreation facilities and parks for local governments and private owners in Quebec on the basis of long-term contracts.

Effective May 1, 2006, IBI Group acquired the urban environmental practice in which DAA held an indirect 50% interest at the time of the merger of the business of DAA with the business of IBI Group. This practice was carried out by a corporation which was owned 50% by DAA and 50% by a third party, which specialized in environmental studies in resource development. In connection with the merger of the business of DAA with the business of IBI Group, IBI Group made an offer to acquire all of the shares of this corporation. IBI Group was a party to a shareholders agreement relating to this corporation which contained rights of refusal and buy/sell arrangement which had to be complied with and this precluded this transaction from being consummated at the same time as the merger of the business of DAA with the business of IBI Group. Ultimately, the third party exercised its rights to acquire DAA’s 50% interest in the corporation, but wanted to concentrate exclusively on the practice of environmental studies in resource development and, as a result, transferred the urban environmental practice to DAA as part of the transaction. The residual urban environmental practice was then acquired by IBI Group effective May 1, 2006.

Effective June 1, 2006, IBI Group acquired the practice of Tomasino & Associates, Inc. (“Tomasino”). Tomasino was a consulting firm of engineers, planners, designers and surveyors with in-house capabilities for total project development from planning through design, construction and start-up services, which served government as well as private clients in Florida from its office in the Tampa Bay area for over thirty five years. The Tomasino practice, which comprises twenty-one people led by Paul Tomasino, has been integrated into the Florida practice of IBI Group, Inc.

Effective September 1, 2006, IBI Group acquired the practice of Thomas Blurock Architects Inc. (“Blurock”). Blurock is an architectural practice led by Thomas Blurock and four additional shareholders, with a full complement of professional and technical staff totalling 25 personnel, which served clients in southern California for over twenty-two years. The Blurock practice specializes in architectural practice for a diverse range of educational facilities including high

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schools, primary schools, vocational schools and colleges for a broad client base of school districts in the Los Angeles area and other counties of southern California. The practice also provides architectural services for a variety of other types of facilities. The agreements entered into in connection with the acquisition of the Blurock practice provide for the continued provision of services to the practice by all five shareholders for a minimum of three years and for the continued provision of services to the practice by all of the other personnel.

Effective September 1, 2006, IBI Group acquired the practice of Scharf & Associates Incorporated ("Scharf") of Fort Lauderdale, Florida. Scharf was a firm of architects and planners led by Marvin Scharf, AIA, who has over 42 years of experience in design and project administration. Scharf was incorporated in 1986 and had extensive experience in the design of health care facilities, education buildings, passenger terminals, recreation facilities, administration facilities, emergency operation centres, banking facilities and industrial buildings. The Scharf practice provides comprehensive planning services, including master planning, site planning, facility planning, space planning and interior design, as well as full architectural services from design through construction phase services and building commissioning. The agreements entered into in connection with the acquisition of the Scharf practice provide for the continued provision of services to the practice by Marvin Scharf for a minimum of three years and for the continued provision of services to the practice by all of the other personnel.

2005 Acquisitions

On September 1, 2005, the Fund acquired the architectural partnership of Hancock, Bruckner, Eng & Wright ("HBEW"), which is an architectural practice in the design of high-density residential condominium environments now integrated within the practice of IBI-HB Architects, based in Vancouver, British Columbia.

On August 31, 2005, the Fund acquired substantially all of the assets of Grey-Noble & Grey-Noble, Architects ("GN"), which specializes in the design of education facilities throughout southern Ontario as well as internationally. The GN practice has been integrated within the practice of IBI Group Architects.

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(Unaudited)

The aggregate consideration for these acquisitions was allocated as follows:

	Three months ended September 30, 2006	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Cash consideration	\$ 2,190	\$ 16,613	\$ 4,804
Notes payable issued, due 2006 through to 2009	2,071	2,071	2,055
Class C Unit, due 2007	-	14,508	-
Purchase price	\$ 4,261	\$ 33,192	\$ 6,859
Net working capital	\$ 4	\$ (264)	\$ 1,920
Capital assets	168	1,925	168
Intangible assets	1,424	4,824	2,697
Goodwill	2,665	26,707	2,074
Net assets acquired	\$ 4,261	\$ 33,192	\$ 6,859

4. Bank indebtedness and long-term debt:

IBI Group has credit facilities totalling \$50,000, consisting of a \$15,000 operating facility (the "Operating Facility") and \$35,000 term facility (the "Term Facility"). The availability of each of the credit facilities is subject to compliance with certain financial and other covenants. The credit facilities are expected to provide sufficient capital resources through which the business can continue to grow organically as well as providing for improved flexibility in the financing of future acquisitions over the terms of the facilities.

The Operating Facility is a revolving facility to be used by IBI Group for working capital purposes, to normalize distributions to holders of Class A partnership units and Class B subordinated partnership units of IBI Group and to finance certain payments by IBI Group in respect of certain acquisitions previously made by it. As at September 30, 2006, IBI Group had borrowings of \$9,050 under the Operating Facility.

The Term Facility is a revolving facility to be used by IBI Group to finance new acquisitions and certain payments by IBI Group in respect of certain acquisitions previously made by it, and to refinance up to \$10,000 of IBI Group's indebtedness under its previous operating facility. The \$10,000 refinancing was completed on July 20, 2006. As at September 30, 2006, IBI Group had borrowings of \$10,000 under the Term Facility.

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In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD\$1,000 continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers.

The Operating Facility and the Bid Bond Facility will mature on June 30, 2009 and the Term Facility will mature on June 30, 2011.

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

Advances under both the Operating Facility and the Term Facility bear interest at a rate based on the Canadian dollar or United States dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin. Letters of credit and letters of guarantee on customary terms for credit facilities of this nature are also available under the Operating Facility. The Bid Bond Facility is only available by way of such instruments. The Fund has entered into an interest-rate swap agreement in order to fix the interest rate at 4.84% per annum plus a fee of 1.5% for the duration of the Term Facility.

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

5. Unitholders' equity and non-controlling interest:

	2006		2005	
	Units	Amount	Units	Amount
Balance, beginning of period	5,025,778	\$ 50,258	5,025,778	\$ 50,258
Units issued from treasury	3,542,000	38,962	-	-
Balance, as at September 30	8,567,778	\$ 89,220	5,025,778	\$ 50,258

During the first quarter of 2006, 3,542,000 units were issued through a public offering at \$11 per unit, for gross proceeds of \$38,962. The Management Partnership acquired 1,730,000 of the units issued and now holds 1,844,200 units.

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.

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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 had been exchanged for units on September 30, 2006, the units issued on such exchange would have represented a 37% interest in the Fund. Distributions on the Class B subordinated partnership units are 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 (a) 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 (b) the Fund achieved earnings before interest, income taxes, depreciation and amortization ("EBITDA"), in such fiscal year of not less than \$14,242. During such period, distributions in excess of \$0.05625 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 of the Class B subordinated partnership units, 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 held. The Class B subordinated partnership units have been recorded as a non-controlling interest in the consolidated financial statements.

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

	2006	Year ended December 31, 2005
Balance, beginning of period	\$ 46,258	\$ 48,126
Earnings for the period	5,360	3,786
Distributions	(4,517)	(5,654)
Balance, end of period	\$ 47,101	\$ 46,258

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

(Unaudited)

6. Related party transactions:

- (a) 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 5,025,778 Class B subordinated partnership units and 1,844,200 units of the Fund, representing a total ownership of 50.5% of IBI Group. The leases were entered into in 2002 at then current market rates of approximately \$1.8 million per annum, and expire on December 31, 2012. Effective January 1, 2006, IBI Group leased approximately 14,000 square feet of additional space under these leases at the then current market rates, bringing the total annual lease payments under these leases to approximately \$2.2 million.
- (b) 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 \$2,400 for the three months ended September 30, 2006 (2005 - \$2,200) and \$7,000 for the year to date (2005 - \$6,500).
- (c) The cash payment due on the closing of the acquisition of HBEW (note 3) was funded by a loan of \$4,804 by the Management Partnership to IBI Group. The loan bore interest at the same rate as was then payable on IBI Group's operating line of credit with its bank lender, being prime plus 0.75%. The loan was subordinated to the Fund's indebtedness to its bank lender and was unsecured. The loan was repaid on March 6, 2006.
- (d) The cash payment due on the closing of the merger of the business of DAA with the business of IBI Group (note 3) was funded by a loan of \$13,938 by the Management Partnership to IBI Group. The loan bore interest at the same rate as was then payable on IBI Group's operating line of credit with its bank lender, being prime plus 0.75%. The loan was subordinated to the Fund's indebtedness to its bank lender and was unsecured. The loan was repaid on March 6, 2006.
- (e) The balance of consideration owing to DAA (note 3) of \$14,508 was funded by the issuance to the Management Partnership of a Class C Unit of IBI Group, classified as a current liability, which entitles the Management Partnership to be paid \$14,508 on January 31, 2007 together with an additional amount calculated by multiplying such amount by the prime interest rate quoted by IBI Group's bank lender.

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(In thousands of dollars)

(Unaudited)

7. Segment information:

The Fund is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. The Fund considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Fund are defined as components of the Fund for which separate financial information is available that is evaluated regularly in allocating resources and assessing performance by the chief operating decision maker, who is the Chief Executive Officer of IBI Group.

All operations of the Fund are included in one reportable segment - consulting services, that provides services throughout North America and internationally.

	2006		2005	
	Fees for the nine months ended September 30	Capital Assets, Goodwill, Intangible Assets at September 30	Fees for the nine months ended September 30	Capital Assets, Goodwill, Intangible Assets at December 31
Canada	\$ 84,846	\$ 99,617	\$ 50,875	\$ 71,887
United States	20,261	12,053	15,778	8,744
International	6,929	2,072	5,468	1,882
	<u>\$ 112,036</u>	<u>\$113,742</u>	<u>\$ 72,121</u>	<u>\$ 82,513</u>

Gross revenue is attributed to countries based on the location of the work performed.

Customers

The Fund has a large number of clients in various industries and sectors of the economy. Gross revenue is not concentrated in any particular client.

8. 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 consolidated financial statements.

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(In thousands of dollars)

(Unaudited)

9. Subsequent Event:

On October 31, 2006, the Minister of Finance (Canada) proposed certain changes to Canada's taxation system which will subject income trusts to a distribution tax regime designed to ensure that the taxation of business income and unitholder distributions approximates the tax treatment of corporations and their shareholders. For income trusts that were publicly traded on October 31, 2006, including the Fund, the new tax will first apply to the trusts' 2011 taxation year. At this time, it is premature to determine the extent to which the proposed changes will affect the Fund. Management of the Fund will be giving consideration to these proposals as more detailed legislative measures are released in order to assess their impact on the Fund and its unitholders and develop an appropriate course of action to address such impact.