

Interim Consolidated Financial Statements of

IBI INCOME FUND

Three Months and Six Months Ended June 30, 2008
(Unaudited)

IBI INCOME FUND

Interim Consolidated Balance Sheets
(In thousands of dollars)

	June 30, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 23,699
Accounts receivable	82,956	62,752
Work in process	47,921	36,894
Prepaid expenses and other assets	4,988	3,761
	<u>135,865</u>	<u>127,106</u>
Future income tax asset	3,989	3,766
Deferred charges	157	156
Property and equipment	9,118	6,838
Intangible assets	16,798	10,790
Goodwill	117,498	101,957
	<u>\$ 283,425</u>	<u>\$ 250,613</u>

Liabilities and Unitholders' Equity

Current liabilities:		
Bank indebtedness - net (note 5)	\$ 13,092	\$ -
Accounts payable and accrued liabilities	28,745	26,497
Distributions payable	1,999	1,894
Due to related parties (note 1)	291	852
Notes payable	14,935	7,419
Deferred revenue	11,000	10,193
Income taxes payable	266	538
	<u>70,328</u>	<u>47,393</u>
Future income tax liability	1,985	-
Deferred credit - leases	310	413
Long-term debt (note 5)	30,000	24,000
Unrealized interest rate swap losses	743	415
Non-controlling interest (note 7)	49,985	49,290
Unitholders' equity:		
Unit capital (note 7)	139,220	139,220
Deficit	(7,867)	(9,264)
Accumulated other comprehensive loss	(1,279)	(854)
	<u>130,074</u>	<u>129,102</u>
	<u>\$ 283,425</u>	<u>\$ 250,613</u>

Contingencies (note 12)
Subsequent events (note 14)

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
		(restated, note 3)		(restated, note 3)
Revenue:				
Fees	\$ 54,678	\$ 40,654	\$ 106,047	\$ 79,787
Expenses:				
Salaries, fees and employee benefits (note 8)	33,874	26,283	67,445	51,535
Rent (note 8)	3,056	2,023	5,893	4,195
Other operating	7,002	4,603	12,798	8,698
Amortization of property and equipment	858	628	1,562	1,164
Amortization of intangible assets	1,285	730	2,419	1,431
Amortization of deferred credit – leases	(52)	(72)	(103)	(145)
Interest, net	728	646	1,431	1,228
	46,751	34,841	91,445	68,106
Earnings before income taxes	7,927	5,813	14,602	11,681
Income taxes				
Current	620	133	1,168	451
Future	(409)	(3,150)	(621)	(3,150)
	211	(3,017)	547	(2,699)
Earnings before non-controlling interest	7,716	8,830	14,055	14,380
Non-controlling interest	(2,473)	(3,264)	(4,506)	(5,316)
Net earnings	5,243	5,566	9,549	9,064
Earnings per unit	\$ 0.4922	\$ 0.6496	\$ 0.8965	\$ 1.0579
Weighted average number of units outstanding	10,651,111	8,567,778	10,651,111	8,567,778

See accompanying notes to the unaudited interim consolidated financial statements.

IBI INCOME FUND

Interim Consolidated Statements of Changes in Unitholders' Equity
(In thousands of dollars)
(Unaudited)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unit capital:				
Unit capital, beginning and end of period(note 7)	\$ 139,220	\$ 89,220	\$ 139,220	\$ 89,220
Deficit:				
Deficit, beginning of period	(9,036)	(10,246)	(9,264)	(10,974)
Net earnings	5,243	5,566	9,549	9,064
Distributions declared to Unitholders	(4,074)	(2,913)	(8,077)	(5,683)
Issue costs	–	–	(75)	–
Deficit, end of period	(7,867)	(7,593)	(7,867)	(7,593)
Accumulated other comprehensive loss:				
Balance, beginning of period	(1,618)	(768)	(854)	–
Current impact of implementing new accounting standards	–	–	–	(867)
Unrealized gains and losses on translating financial statements of self sustaining foreign operations	(22)	26	(97)	33
Change in fair value of derivative designated as cash flows hedge	361	655	(328)	747
Balance, end of period	(1,279)	(87)	(1,279)	(87)
Total Unitholders equity, end of period	\$ 130,074	\$ 81,540	\$ 130,074	\$ 81,540

Interim Consolidated Statements of Comprehensive Income
(In thousands of dollars)
(Unaudited)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Net earnings	\$ 5,243	\$ 5,566	\$ 9,549	\$ 9,064
Other comprehensive income:				
Unrealized gains and losses on translating financial statements of self sustaining foreign operations	(22)	26	(97)	33
Change in fair value of derivative designated as cash flows hedge	361	655	(328)	747
Comprehensive income	\$ 5,582	\$ 6,247	\$ 9,124	\$ 9,844

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 5,243	\$ 5,566	\$ 9,549	\$ 9,064
Items not affecting cash:				
Amortization of property and equipment	858	628	1,562	1,164
Amortization of intangible assets	1,285	730	2,419	1,431
Amortization of deferred credit - leases	(52)	(72)	(103)	(145)
Future income tax	(409)	(3,150)	(621)	(3,150)
Non-controlling interest	2,473	3,264	4,506	5,316
Change in non-cash operating working capital (note 6)	(7,891)	(3,973)	(29,448)	(12,001)
	1,507	2,993	(12,136)	1,679
Financing activities:				
Notes payable	(1,063)	(218)	(1,063)	(713)
Long term debt	6,000	—	6,000	14,000
Repayment of Class C Unit	—	—	—	(14,508)
Distributions paid to Unitholders	(4,074)	(2,913)	(8,006)	(5,612)
Distributions paid to Class B subordinated Unitholders	(1,955)	(2,198)	(3,777)	(3,781)
Issue costs	—	—	(75)	—
Due to related parties	(134)	5,306	(561)	5,305
	(1,226)	(23)	(7,482)	(5,309)
Investing activities:				
Purchase of property and equipment	(1,813)	(848)	(2,960)	(2,242)
Acquisitions (note 4)	(3,676)	(458)	(14,104)	(458)
	(5,489)	(1,306)	(17,062)	(2,700)
Effect of foreign currency translation	(14)	163	(109)	176
Net decrease (increase) in bank indebtedness	\$ (5,222)	\$ 1,827	\$ (36,791)	\$ (6,154)
Cash and cash equivalents (bank indebtedness net), beginning of period	(7,870)	(12,622)	23,699	(4,641)
Bank indebtedness net, end of period	\$ (13,092)	\$ (10,795)	\$ (13,092)	\$ (10,795)
Supplemental cash flow information:				
Income taxes paid	\$ 634	\$ 109	\$ 1,428	\$ 257
Interest paid	728	646	1,431	1,228

See accompanying notes to the unaudited interim consolidated financial statements.

IBI INCOME FUND

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 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 partnership units representing 32% of the issued and outstanding units of IBI Group and 2,280,746 units of the Fund, representing a total ownership of approximately 46.6% of IBI Group. The Management Partnership also holds 5,025,778 non-participating voting units of the Fund, which together with the 2,280,746 units of the Fund held by the Management Partnership, represent approximately 46.6% of the voting units of the Fund.

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. IBI Group also has a facilities management practice, which manages and operates recreational facilities on behalf of local municipalities. This practice is concentrated within the Province of Quebec.

On the closing of the Fund's initial public offering on August 31, 2004, the net working capital of the business of the Management Partnership was not acquired by the Fund. The remaining amount of such net working capital from the balance on hand at August 31, 2004 is being managed by the Fund and is being repaid to the Management Partnership as it is realized. As at June 30, 2008, \$291 (December 31, 2007 - \$852) 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 other than as disclosed in note 3. 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, 2007.

IBI INCOME FUND

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

(Unaudited)

3. Changes in Accounting Policies

During the first quarter of 2008, the Fund changed its accounting policy for the treatment of direct project expenses for the facilities management practice. In previous periods, direct project expenses were included within salaries, fees and employee benefits, rent and other operating expenses. The Fund is treating these costs as a reduction in revenue. Management judges that the new policy is preferable because it results in a measure of revenue more consistent between the two reporting segments of the Fund. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2007 have been restated. The effect of the change on 2007 is shown below.

	Three months ended June 30, 2007		
	As originally reported	Adjustment	As restated
Fees	43,253	(2,599)	40,654
Salaries, fees and employee benefits	27,552	(1,269)	26,283
Rent	2,108	(85)	2,023
Other operating	5,848	(1,245)	4,603
Amortization	1,286	-	1,286
Interest	646	-	646
	37,440	-	34,841
<u>Earnings before income taxes</u>	<u>5,813</u>	<u>-</u>	<u>5,813</u>

	Six months ended June 30, 2007		
	As originally reported	Adjustment	As restated
Fees	84,809	(5,022)	79,787
Salaries, fees and employee benefits	53,913	(2,378)	51,535
Rent	4,365	(170)	4,195
Other operating	11,172	(2,474)	8,698
Amortization	2,450	-	2,450
Interest	1,228	-	1,228
	73,128	-	68,106
<u>Earnings before income taxes</u>	<u>11,681</u>	<u>-</u>	<u>11,681</u>

The Fund has issued restated financial statements for the year ended December 31, 2007.

In January 2006, the Accounting Standards Board ("AcSB") adopted its strategic plan which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This document outlines the AcSB's implementation plan for incorporating IFRS into Canadian GAAP, including identifying key decisions that the AcSB will need to make as it implements the strategic plan for publicly accountable enterprises. The Fund will follow the key events timeline

IBI INCOME FUND

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

(Unaudited)

proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the changeover planned in 2011.

The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Fund will adopt this new standard in the first quarter of 2009 and is currently assessing the impact of adoption on its consolidated financial statements.

4. **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 earnings. 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 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 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 net working capital realized than was originally expected.

IBI Group has made the following acquisitions:

2008

- Effective May 1, 2008, IBI Group acquired the practice of Rhon Ernest-Jones Consulting Engineer, Inc.
- Effective May 1, 2008, IBI Group acquired the practice of Martin & Marcotte Architects
- Effective February 1, 2008, IBI Group acquired the practice of Gescona Inc.
- Effective January 1, 2008, IBI Group acquired the practice of Young & Wright Architects including Lawrence Doyle, Young & Wright Architects.
- Effective January 1, 2008, IBI Group acquired the practice of Piranha Tendances, Conseil Stratégique et Communications Inc.

IBI INCOME FUND

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

(Unaudited)

2007

- Effective December 1, 2007, IBI Group acquired the practice of Landplan Associates.
- Effective December 1, 2007, IBI Group acquired the practice of Bearsch, Compeau, Knudson Architects and Engineers.
- Effective September 1, 2007, IBI Group acquired the practice of Planning & Engineering Initiatives Limited.
- Effective May 1, 2007, IBI Group acquired the practice of The RMPK Group, Inc.

During the second quarter of 2008, the Fund adjusted the purchase price on the RMPK Group Inc. The adjustment resulted in an increase of notes payable consideration and goodwill in the amount of \$295.

During the first quarter of 2008, the Fund adjusted the purchase price on the Planning & Engineering Initiatives Limited and Landplan Associates acquisitions. The adjustment resulted in an increase of the goodwill and an increase in future tax liability in the amount of \$349.

The aggregate consideration given and the fair values of the net assets acquired in the three and six months ended June 30, 2008 was allocated as follows:

	Three months ended June 30, 2008	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash consideration	\$ 3,676	\$ 14,104	\$ 458
Notes payable issued, due 2009 through to 2010	2,965	8,290	718
Purchase price	\$ 6,641	\$ 22,394	\$ 1,176
Net working capital	\$ 735	\$ 228	\$ –
Property and equipment	332	901	54
Intangible assets	2,422	8,427	520
Goodwill	3,382	14,870	602
Future tax liability	(230)	(2,032)	–
Net assets acquired	\$ 6,641	\$ 22,394	\$ 1,176

5. Bank indebtedness and long-term debt:

On June 25, 2008 IBI Group amended the terms of its credit facilities with its bank lender. Pursuant to this amendment, the credit facilities total has been increased by \$20,000 to \$85,000, consisting of a \$15,000 operating facility (the "Operating Facility"), \$50,000 term

IBI INCOME FUND

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

(Unaudited)

facility (the “Term Facility”) and a \$20,000 bridge facility (the “Bridge Facility”). The availability of each of the credit facilities is subject to compliance with certain financial and other covenants, including but not limited to, debt to EBITDA ratio, fixed charge coverage ratio and current ratio. The Fund was in compliance with all covenants under this agreement as at and throughout the periods ended June 30, 2008 and the year ended December 31, 2007.

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 June 30, 2008, IBI Group had borrowings of \$13,600 (December 31, 2007 - \$950) under the Operating Facility and cash balances of \$508 (December 31, 2007 – \$4,649).

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. As at June 30, 2008, IBI Group had borrowings of \$30,000 (2007 – \$24,000) under the Term Facility.

The Bridge 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. As at June 30, 2008, IBI Group did not have any borrowings (2007 – nil) under the Bridge Facility.

In addition, a bid bond guarantee facility (the “Bid Bond Facility”) of up to USD\$20,000 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, the Bridge 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.

IBI INCOME FUND

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

(Unaudited)

At June 30, 2008, the Fund had \$24,000 (2007 - \$24,000) of interest-rate swap agreements outstanding. The terms of these swaps correspond to the terms of the underlying hedged interest payments on the term facility.

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

6. Change in non-cash operating working capital:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Accounts receivable	\$ (5,858)	\$ (4,232)	\$ (20,204)	\$ (1,466)
Work in process	(3,230)	(2,101)	(11,027)	(10,086)
Prepaid expenses and other assets	(59)	32	(1,227)	(272)
Deferred charges	(30)	(32)	(1)	5
Accounts payable	1,155	1,259	2,248	(800)
Deferred revenue	(459)	1,085	807	432
Income taxes recoverable (payable)	(145)	16	(272)	186
Acquisition of working capital	735	—	228	—
	\$ (7,891)	\$ (3,973)	\$ (29,448)	\$ (12,001)

7. Unitholders' equity and non-controlling interest:

Summary of unit capital transactions:

	Six months ended June 30, 2008		Six months ended June 30, 2007	
	Units	Amount	Units	Amount
Balance, beginning and end of period	10,651,111	\$139,220	8,567,778	\$ 89,220

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.

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

The Class B partnership units of IBI Group are indirectly exchangeable for units on the basis of one unit of the Fund for each Class B subordinated partnership unit. If all such Class B

IBI INCOME FUND

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

(Unaudited)

partnership units of IBI Group had been exchanged for units on June 30, 2008, the units issued on such exchange would have represented a 32% interest in the Fund.

Class B 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 partnership units, one Non-Participating Voting unit of the Fund was issued to the holder of the Class B partnership units for each Class B partnership unit held. The Class B 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:

	Three months ended June 30 2008	Six months ended June 30, 2008	Year ended December 31, 2007
Balance, beginning of period	\$ 49,434	\$ 49,290	\$ 46,818
Earnings for the period	2,473	4,506	9,374
Distributions	(1,922)	(3,811)	(6,902)
Balance, end of period	\$ 49,985	\$ 49,985	\$ 49,290

8. Related party transactions:

- (a) IBI Group leases its Toronto office space from corporations which are indirectly owned by the partners of the Management Partnership. The leases were entered into in 2002 and expire on December 31, 2012. Effective January 1, 2008, IBI Group leased approximately 6,300 square feet of additional space under these leases at the then current market rates, bringing the total leased space to approximately 20,300 square feet and the total annual lease payments under these leases to approximately \$2,400.
- (b) Pursuant to the Administration Agreement entered into in connection with the closing of the Fund's initial public 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 \$3,500 for the three months ended June 30, 2008 (2007 - \$3,100) and \$6,900 for the year to date (2007 - \$5,900). In addition, IBI Group pays a separate management fee to the Management Partnership representing compensation paid to the partners of Daniel Arbour & Associates through the Management Partnership as compensation for such partners providing their services to IBI Group through Management Partnership. The amount of this management fee paid for the three months ended June 30, 2008 was \$100 (2007 - \$300) and \$200 for the year to date (2007 - \$500).

IBI INCOME FUND

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

(Unaudited)

9. Financial instruments:

The Fund has exposure to market, credit and liquidity risk. The Fund's primary risk management objective is to protect the Fund's balance sheet, earnings and cash flow in support of achieving sustainable growth and earnings. The Fund's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

Market risk

Interest Rate Risk

The Fund's financing strategy is to access public capital markets to raise equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs. The Fund has floating-rate debt, which subjects it to interest rate cash flow risk.

The Fund enters into interest rate swaps to convert a portion of its debt from floating to fixed rates. At period end, \$24,000 of interest rate swaps were outstanding. The terms of these swaps correspond to the terms of the underlying hedged debt.

If the interest rate on the Fund's variable rate loan balance as at June 30, 2008, had been 50 basis points higher, with all other variables held constant, net income for the quarter would have decreased by approximately \$36. If the interest rate had been 50 basis points lower, there would have been an equal and opposite impact on net income.

Currency Risk

The Fund's foreign exchange exposure arises from the following sources:

- Net investments in self-sustaining foreign operations
- Net non-Canadian dollar-denominated monetary assets and liabilities

The Fund's policy has been to utilize natural hedges to offset foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Credit risk

Financial instruments that subject the Fund to credit risk consist primarily of accounts receivable. The Fund maintains an allowance for estimated credit losses on accounts

IBI INCOME FUND

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

(Unaudited)

receivable. The estimate is based on the best assessment of the collectibility of the related receivable balance based, in part on the age of the outstanding accounts receivable and on its historical collection and loss experience.

The Fund provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

Liquidity Risk

The Fund strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

As at June 30, 2008, The Fund had \$1,400 of unutilized credit available under its Operating Facility, \$20,000 available under its Term Facility and \$20,000 available under its Bridge Facility.

Fair value

As at June 30, 2008, the carrying amounts of non-derivative financial instruments were as follows:

	Carrying value	Fair value
Financial Assets:		
Accounts receivable	\$ 82,956	\$ 82,956
Financial Liabilities:		
Accounts payable and accrued liabilities	\$ 28,745	\$ 28,745
Distributions payable	1,999	1,999
Due to related parties	291	291
Taxes payable	266	266
Notes payable	14,935	14,935
Long-term debt	30,000	30,000
	\$ 76,236	\$ 76,236

IBI INCOME FUND

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

(Unaudited)

The carrying amounts of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, due to related parties, distributions payable and taxes payable approximate their fair values due to their short-term nature. The carrying value of notes payable and long-term debt approximates their fair values as the applicable interest rate is based on variable interest rates.

10. Capital management:

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

The Fund seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. As the bank debt increases, the Fund will then raise equity through a public offering, using the proceeds to reduce the bank debt. The amount of equity that the Fund can raise on an annual basis until 2011 without exceeding limits put in place for Income Trusts is \$50,000.

The Fund monitors capital by maintaining a target ratio of funded debt to EBITDA, a non-GAAP measure, below 1.75. This ratio is calculated as the sum of (1) long-term debt, plus bank indebtedness, plus notes payable, divided by (2) EBITDA for the past 12 months. The Fund's funded debt to EBITDA ratio, as at June 30, 2008 was 1.46 to 1 (1.03 to 1 as at December 31, 2007).

The Fund is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. The Fund was in compliance with all covenants under this agreement as at and throughout the quarter ended June 30, 2008 and the year ended December 31, 2007.

11. Segment information:

Business segments:

The Fund is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. In addition, the Fund has a facilities management practice. 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

IBI INCOME FUND

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

(Unaudited)

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.

The Fund operates in two reportable segments - consulting services and facilities management. Consulting services provide services throughout North America and internationally. Facilities management manages and operates recreational facilities on behalf of local municipalities.

	Three months ended June 30, 2008		
	Consulting Services	Facilities Management	Total
Fees	\$ 54,294	\$ 384	\$ 54,678
Earnings before under-noted	10,653	93	10,746
Amortization and depreciation	2,091	2,052	39
Interest	728	-	728
Income taxes	210	1	211
Earnings before non-controlling interest	7,663	53	7,716
Total assets	278,338	5,087	283,425
Goodwill	117,498	-	117,498
Intangible assets	16,798	-	16,798
Capital expenditures	1,737	76	1,813

	Three months ended June 30, 2007 (restated – note 3)		
	Consulting Services	Facilities Management	Total
Fees	\$ 40,126	\$ 528	\$ 40,654
Earnings before under-noted	7,948	(203)	7,745
Amortization and depreciation	1,234	52	1,286
Interest	646	-	646
Income taxes	(3,017)	-	(3,017)
Earnings before non-controlling interest	9,085	(255)	8,830
Total assets	200,592	2,622	203,314
Goodwill	95,808	-	95,808
Intangible assets	10,207	-	10,207
Capital expenditures	733	115	848

IBI INCOME FUND

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

(Unaudited)

	Six months ended June 30, 2008		
	Consulting Services	Facilities Management	Total
Fees	\$ 104,766	\$ 1,281	\$ 106,047
Earnings before under-noted	19,638	273	19,911
Amortization and depreciation	3,783	95	3,878
Interest	1,431	-	1,431
Income taxes	546	1	547
Earnings before non-controlling interest	13,878	177	14,055
Total assets	278,338	5,087	283,425
Goodwill	117,498	-	117,498
Intangible assets	16,798	-	16,798
Capital expenditures	2,869	91	2,960

	Six months ended June 30, 2007 (restated – note 3)		
	Consulting Services	Facilities Management	Total
Fees	\$ 78,412	\$ 1,375	\$ 79,787
Earnings before under-noted	15,281	78	15,359
Amortization and depreciation	2,367	83	2,450
Interest	1,228	-	1,228
Income taxes	(2,699)	-	(2,699)
Earnings before non-controlling interest	14,385	(5)	14,380
Total assets	200,592	2,622	203,214
Goodwill	95,808	-	95,808
Intangible assets	10,207	-	10,207
Capital expenditures	2,071	171	2,242

IBI INCOME FUND

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

(Unaudited)

Geographic segments:

	Property and equipment, goodwill, intangible assets at June 30	Property and equipment, goodwill, intangible assets at December 31
Canada	\$119,268	\$100,043
United States	21,484	17,044
International	2,662	2,498
	<hr/> \$143,414	<hr/> \$119,585

	Fees for the three months ended June 30, 2008	Fees for the three months ended June 30, 2007	Fees for the six months ended June 30, 2008	Fees for the six months ended June 30, 2007
Canada	\$ 39,629	\$ 29,620	\$ 78,344	\$ 59,034
United States	11,033	8,198	20,177	16,318
International	4,016	2,836	7,526	4,435
	<hr/> \$ 54,678	<hr/> \$ 40,654	<hr/> \$106,047	<hr/> \$ 79,787

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.

12. 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.

13. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

IBI INCOME FUND

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

(Unaudited)

14. Subsequent events:

On July 3, 2008, IBI Group completed the acquisition of the Giffels Professional Engineering practice, adding 375 staff in total. Giffels Professional Engineering provides professional engineering consulting services and related architectural services from their offices located in Toronto, Southfield, Michigan, (the Detroit Metropolitan Area), Raleigh, North Carolina and Dubai, with a wide established scope of practice in transportation, infrastructure, and buildings with particular emphases on manufacturing plants for the Automotive and other industries.

On July 8, 2008, IBI Group completed the acquisition of the practice of Page + Steele, adding 100 staff in total. Page + Steel is an architectural firm focused on providing services for residential, hotel, commercial, mixed use and institutional uses throughout the Greater Toronto Area, as well as some projects internationally. The Firm has been serving both public and private clients, from its offices in Toronto for the past 82 years.