

Interim Consolidated Financial Statements of

IBI INCOME FUND

Three Months Ended March 31, 2009
(Unaudited)

IBI INCOME FUND

Interim Consolidated Balance Sheets
(In thousands of dollars)

As at March 31, 2009 and December 31, 2008

	2009	2008
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,933	\$ 8,884
Accounts receivable, net of allowance for doubtful accounts of \$4,711 (2008 – \$3,936)	113,426	110,480
Work in process	63,077	59,187
Prepaid expenses and other assets	4,971	4,656
Future income tax asset	883	883
	<u>192,290</u>	<u>184,090</u>
Future income tax asset	3,377	3,260
Deferred charges	212	85
Property and equipment	9,071	9,441
Intangible assets	30,873	32,900
Goodwill	148,610	148,354
	<u>\$ 384,433</u>	<u>\$ 378,130</u>
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,935	\$ 49,996
Distributions payable	2,175	2,846
Due to related parties (note 8)	523	528
Notes payable	24,527	23,130
Deferred revenue	21,236	16,752
Term debt (note 5)	37,542	27,227
Income taxes payable	739	400
	<u>130,677</u>	<u>120,879</u>
Future income tax liability	6,644	7,154
Notes payable	8,464	9,875
Deferred credit - leases	180	208
Long-term debt (note 5)	50,000	50,000
Unrealized interest rate swap losses	2,291	1,954
Non-controlling interest (note 7)	48,325	48,916
Unitholders' equity (note 7):		
Unit capital	148,640	148,640
Deficit	(9,360)	(8,033)
Accumulated other comprehensive loss	(1,428)	(1,463)
	<u>137,852</u>	<u>139,144</u>
	<u>\$ 384,433</u>	<u>\$ 378,130</u>

See accompanying notes to interim consolidated financial statements.

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue:		
Fees	\$ 66,914	\$ 51,369
Expenses:		
Salaries, fees and employee benefits	45,777	33,571
Rent	3,826	2,837
Other operating	8,040	5,796
Amortization of property and equipment	924	704
Amortization of intangible assets	2,116	1,135
Amortization of deferred credit – leases	(28)	(51)
Interest	1,183	703
	<u>61,838</u>	<u>44,695</u>
Earnings before income taxes	5,076	6,674
Income tax expense (recoverable)		
Current	950	547
Future	(482)	(212)
	<u>468</u>	<u>335</u>
Earnings before non-controlling interest	4,608	6,339
Non-controlling interest	(1,419)	(2,033)
Net earnings	\$ 3,189	\$ 4,306
Other comprehensive income:		
Unrealized gains and losses on translating financial statements of self sustaining foreign operations	372	(75)
Change in fair value of derivatives designated as cash flow hedges	(337)	(689)
Comprehensive Income	<u>\$ 3,224</u>	<u>\$ 3,542</u>
Basic and diluted earnings per unit	<u>\$ 0.2824</u>	<u>\$ 0.4043</u>
Weighted average number of units outstanding	<u>11,292,807</u>	<u>10,651,111</u>

See accompanying notes to interim consolidated financial statements.

IBI INCOME FUND

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Unit Capital:		
Unit capital, beginning and end of period (note 7)	\$ 148,640	\$ 139,220
Deficit:		
Deficit, beginning of period	(8,033)	(9,264)
Net earnings	3,189	4,306
Distributions declared to unitholders	(4,516)	(4,003)
Issue costs	—	(75)
Deficit, end of period	(9,360)	(9,036)
Accumulated other comprehensive loss:		
Balance, beginning of period	(1,463)	(854)
Unrealized gains and losses on translating financial statements of self sustaining foreign operations	372	(75)
Change in fair value of derivatives designated as cash flow hedges	(337)	(689)
Balance, end of period	(1,428)	(1,618)
Total unitholders' equity, end of period	\$ 137,852	\$ 128,566

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 3,189	\$ 4,306
Items not affecting cash:		
Amortization of property and equipment	924	704
Amortization of intangible assets	2,116	1,135
Amortization of deferred credit - leases	(28)	(51)
Future income taxes	(482)	(212)
Non-controlling interest	1,419	2,033
Change in non-cash operating working capital (note 6)	(8,516)	(21,557)
	(1,378)	(13,642)
Financing activities:		
Notes payable	(125)	-
Long term debt	10,315	-
Distributions paid to Unitholders	(4,516)	(3,932)
Distributions paid to non-controlling interest	(2,681)	(1,822)
Issue costs	-	(75)
Due to related parties	(5)	(427)
	2,988	(6,256)
Investing activities:		
Purchase of property and equipment	(470)	(1,147)
Acquisitions (note 4)	-	(10,428)
	(470)	(11,575)
Effect of foreign currency translation	(91)	(96)
Net increase (decrease) in cash and cash equivalents	\$ 1,049	\$ (31,569)
Cash and cash equivalents net, beginning of period	8,884	23,699
Cash and cash equivalents (bank indebtedness) net, end of period	\$ 9,933	\$ (7,870)
Supplemental cash flow information:		
Income taxes paid	\$ 703	\$ 794
Interest paid	1,183	703

See accompanying notes to interim consolidated financial statements.

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Notes to Consolidated Financial Statements
(In thousands of dollars)

1. Organization and description of the business:

IBI Income Fund (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 30.8% of the issued and outstanding units of IBI Group and 2,969,492 units of the Fund, representing a total ownership of approximately 49.0% of IBI Group. The Management Partnership also holds 5,025,778 non-participating voting units of the Fund, which together with the 2,969,492 units of the Fund held by the Management Partnership, represent approximately 49.0% 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 March 31, 2009, \$523 (December 31, 2008 - \$528) 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, 2008.

3. Changes in Accounting Policies

The CICA issued a new accounting standard, Section 3064, "*Goodwill and Intangible Assets*", which establishes standards for the recognition, measurement, presentation and disclosure of

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(In thousands of dollars)

goodwill and intangible assets. The adoption of this standard at January 1, 2009 did not impact the consolidated financial statements.

Recently issued but not adopted accounting pronouncements:

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations". This pronouncement further aligns Canadian GAAP with IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Concurrently, the CICA issued Handbook Sections 1601 "Consolidated Financial Statements," and 1602, "Non-Controlling Interests" which replace the existing standards. These sections establish the standards for the preparation of, and accounting for a non-controlling interest in a subsidiary in, consolidated financial statements. Each of these three sections is effective for fiscal years beginning on or after January 1, 2011. Early adoption is permitted, however would require concurrent adoption of all three sections, as applicable. The Fund will consider the impact of adopting these pronouncements on its consolidated financial statements as future acquisitions are completed.

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 July 1, 2008, IBI Group acquired the practice of Giffels Professional Engineering.
- Effective July 1, 2008, IBI Group acquired the practice of Page + Steele Incorporated, Architects.

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- 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 Strategique et Communications Inc.

There were no acquisitions during the first quarter of 2009.

5. Term debt and long term debt:

On January 30, 2009 IBI Group amended the terms of its credit facilities with its bank lender. Pursuant to this amendment, the total credit facilities have been increased by \$15,000 to \$100,000, consisting of a \$5,000 swing facility (the "Swing Facility"), a \$50,000 term facility (the "Term Facility"), a \$10,000 revolver facility (the "Revolver Facility") and a \$35,000 bridge facility (the "Bridge Facility").

The Swing Facility and the Revolver Facility are revolving facilities to be used by IBI Group (a) to repay existing Debt to TD, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units and (d) to finance the payment by the Borrower of the Remaining Acquisition Payments. As at March 31, 2009, IBI Group had borrowings of \$2,650 under the Swing Facility and borrowings of \$3,000 under the Revolver Facility, compared with \$9,600 of borrowings under the operating facility as at March 31, 2008.

The Term Facility and Bridge Facility are revolving facilities to be used by IBI Group (a) to repay existing Debt to TD, (b) to finance the payment by the Borrower of the Remaining Acquisition Payments and (c) to finance any Acquisition, excluding (unless the Required Lenders otherwise consent) the financing of any Hostile Take-Over Bid. As at March 31, 2009, IBI Group had borrowings of \$50,000 (2008 – \$24,000) under the Term Facility and borrowings of \$31,892 (2008 – 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. As at December 31, 2008, IBI Group had issued bid bonds in the amount of \$4,200 under the Bid Bond Facility.

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 have been pledged as security for the indebtedness and

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obligations of IBI Group under the Operating Facility, the Term Facility and the Bid Bond Facility. 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 the Swing Facility, Revolver Facility, Bridge 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.

At March 31, 2009, the Fund had \$24,000 (2008 - \$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.

The Swing Facility, Revolver Facility, Bridge Facility and Bid Bond Facility will mature on December 31, 2009, and the Term Facility will mature on June 30, 2011. To address the facilities due on December 31, 2009, management has initiated discussions with the banking syndicate regarding the extension and increase in the amounts of the current banking facility. Management has also received expressions of interest from additional lenders and intends to settle the arrangements in a timely manner.

6. Change in non-cash operating working capital:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Accounts receivable	\$ (2,946)	\$ (14,346)
Work in process	(3,890)	(7,797)
Prepaid expenses and other assets	(315)	(1,168)
Deferred charges	(127)	29
Accounts payable	(6,061)	1,093
Deferred revenue	4,484	1,266
Income taxes payable	339	(127)
Acquisition of working capital deficiency	-	(507)
	<u>\$ (8,516)</u>	<u>\$ (21,557)</u>

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(In thousands of dollars)

7. Unitholders' equity and non-controlling interest:

	Three months ended		Three months ended	
	March 31, 2009		March 31, 2008	
	Units	Amount	Units	Amount
Balance, beginning and end of period	11,292,807	\$148,640	10,651,111	\$ 139,220

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 partnership units of IBI Group had been exchanged for units on March 31, 2009, the units issued on such exchange would have represented a 30.8% 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	Year ended
	March 31,	December 31,
	2009	2008
Balance, beginning of period	\$ 48,916	\$ 48,349
Earnings for the period	1,419	8,369
Distributions	(2,010)	(7,802)
Balance, end of period	\$ 48,325	\$ 48,916

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8. Related party transactions:

- (a) IBI Group leases its Toronto office space from a corporation which is indirectly owned by the partners of the Management Partnership. The leases were entered into in 2002 and expire on December 31, 2012. The leases were entered into in 2002 at then current market rates and expire on December 31, 2012. The total annual payment under these leases is 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. The amount paid for such services during the three months ended March 31, 2009 was \$3,700 compared with \$3,400 in 2008.
- (c) On July 7, 2008, IBI Group Management Partnership advanced \$7,950 to IBI Group. The loan bore interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Fund's indebtedness to its bank lender and is unsecured. The loan was to mature two years following the original issuance of the promissory note evidencing the loan. On November 14, 2008, the advance, together with deferred distributions and accrued interest was converted into 641,696 Units at a price of \$14.68 per unit.

9. 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. The Fund has operated to date on the basis of using bank debt for acquisitions and 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 up until December 31, 2010 without exceeding limits legislated by the Federal Government for Income Trusts is \$100,000. However, the current state of the equity markets results in the Fund's current payout on equity at the Fund's annualized distribution of \$1.60 per unit, of approximately 11% to 13% as compared to the Fund's current cost of bank debt at prime plus 1.5%. Accordingly, the Fund deems it more practical for unitholder value to continue to operate on bank debt.

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(In thousands of dollars)

The Fund monitors capital by maintaining a target ratio of funded debt to EBITDA, a non-GAAP measure, below 1.75 to 1. 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 (proforma to include acquired firms). The Fund's funded debt to EBITDA ratio, as at March 31, 2008 was 2.44 to 1 (2.18 to 1 as at December 31, 2008). The internal funded debt to EBITDA target ratio of the Fund differs from the ratio per the credit agreement in that it excludes a bonding facility and the amount of the unrealized interest rate swap losses. Management is confident that there will be growth in EBITDA providing for a larger base for additional borrowings within the internal target ratio. Management also believes that they will be able to further reduce borrowings by issuing equity as long as capital markets continue to stabilize.

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. As at March 31, 2009, the Fund was in compliance with the fixed charge coverage ratio and current ratio covenants. The Fund was slightly over on the debt to EBITDA ratio covenant for which it has received a waiver from the banking syndicate.

10. 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.

Property and equipment, goodwill, intangible assets:

	As at March 31, 2009	As at December 31, 2008
Canada	\$ 166,936	\$ 169,195
United States	19,000	18,848
International	2,618	2,652
	<u>\$ 188,554</u>	<u>\$ 190,695</u>

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Notes to Consolidated Financial Statements
(In thousands of dollars)

Fees revenue for the three months ended March 31:

	2009	2008
Canada	\$ 45,091	\$ 38,715
United States	14,658	9,144
International	7,165	3,510
	<hr/>	<hr/>
	\$ 66,914	\$ 51,369

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.

11. Comparative figures:

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