MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes ("financial statements") of IBI Income Fund (the "Fund") for the year ended December 31, 2007. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A is dated as of March 26, 2008. Additional information that has been filed concerning the Fund, including the Fund's annual information form for the year ended December 31, 2007, is or will be available on SEDAR at www.sedar.com.

Overview of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund's Declaration of Trust. The Fund is entirely dependent upon the operations and assets of IBI Group in which it indirectly holds 10,651,111 Class A partnership units, representing 68% of the issued and outstanding Class A and Class B partnership units (the "Partnership Units") of IBI Group. IBI Group Management Partnership ("Management Partnership") holds 5,025,778 Class B partnership units of IBI Group, representing the remaining 32% of the issued and outstanding Partnership Units of IBI Group. In addition, the Management Partnership holds 5,025,778 non-participating voting units ("Non-Participating Voting Units") of the Fund which, together with the Class B partnership units of IBI Group, are exchangeable into trust units ("Units") of the Fund on a one for one basis, subject to adjustment. These 5,025,778 Non-Participating Voting Units are the only Non-Participating Voting Units outstanding.

As a result of its holdings of Class B partnership units of IBI Group and Non-Participating Voting Units of the Fund, together with its holdings of 2,280,746 Units of the Fund, the Management Partnership holds an interest of approximately 46.6% in the Fund (on a fully-diluted basis). There are currently 10,651,111 Units issued and outstanding (15,676,889 Units issued and outstanding on a fully-diluted basis).

IBI Group 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. 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.

IBI Group's professionals have a broad range of academic backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development and many other areas of expertise, all contributing to the four areas in which IBI Group practices.

The firm's clients include national, provincial, state and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries and in other business areas. IBI Group provides these services in major cities across Canada, the United States, Western Europe and the Middle East, as well as in other international centers.

Changes in Tax Legislation

On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals (the "Proposal") concerning the taxation of most publicly traded income trusts and other flow-through entities (the "SIFT Rules"). The SIFT Rules apply a tax on certain income (other than taxable dividends) earned by a SIFT trust as defined in the Tax Act, and would treat the taxable distributions of such income received by Unitholders of a SIFT trust as dividends. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. The SIFT Rules generally do not apply until the 2011 taxation year for income trusts, the units of which were publicly traded prior to November 1, 2006, such as the Fund. However, the SIFT Rules will apply immediately in any taxation year ending after 2006 if the SIFT trust is deemed to have exceeded normal growth during the period from November 1, 2006 to December 31, 2010, as described in the press release issued by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines").

The Normal Growth Guidelines indicate that the Fund will not lose the benefit of the deferred application of the SIFT Rules to 2011 if the equity capital of the Fund does not grow as a result of issuances of new equity (which includes Units, debt that is convertible into Units, and potentially other substitutes for such equity) before 2011 by an amount that exceeds the greater of $50 million per year and an objective "safe harbour" amount based on a percentage of the Fund's October 31, 2006 market capitalization. The Normal Growth Guidelines provide for a "safe harbour" amount equal to 40% of the October 31, 2006 market capitalization for the period from November 1, 2006 to the end of 2007, and 20% for each of the 2008 to 2010 calendar years. These amounts of "safe harbour" are cumulative during the transition period. The Fund's October 31, 2006 market capitalization was approximately $111 million. It is therefore assumed for the purposes of this MD&A that the Fund will not be subject to the SIFT Rules until January 1, 2011. However, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) before 2011, the Fund may become subject to the SIFT Rules prior to 2011. No assurance can be given that the SIFT Rules will not apply to the Fund prior to 2011. Loss of the benefit of the deferred application of the SIFT Rules through 2011 could have a material and adverse effect on the value of Units of the Fund

On June 26, 2007, the ministère des Finances (Québec) (the "Ministère") published Information Bulletin 2007-5 confirming that Québec's tax legislation will be harmonized with the SIFT Rules, but that a separate Québec tax regime will be implemented.

The Minister of Finance (Canada) has indicated in the 2008 budget introduced on February 26, 2008 that the SIFT Rules will be amended to take into account the proposed Quebec tax regime.

Operating Highlights

IBI Group continued to implement its strategy of combined growth through organic growth and acquisitions in 2007. Staffing levels increased by 320 in 2007 from 1,264 at the end of 2006 to 1,584. This was accomplished through four acquisitions completed during the year, adding 167 staff, along with the organic growth of the continuing IBI Group practice. The total cost of the four acquisitions was $12.0 million, subject to adjustments. Cash consideration of $5.9 million in the aggregate was paid on the closing of these acquisitions with the balance of the consideration being paid by the issuance of promissory notes.

Effective May 1, 2007, the practice of The RMPK Group, Inc. ("RMPK") was acquired. RMPK is a firm of 19 planners, designers and landscape architects, based in Sarasota Florida, serving a mix of both government and private clients.

Effective September 1, 2007, the shares and practice of Planning & Engineering Initiatives Limited ("PEIL") was acquired. PEIL is a firm of 63 planners, civil engineers and landscape architects, based in Kitchener Ontario, serving a mix of both municipal government and private clients.

Effective December 1, 2007, the practice of Bearsch, Compeau, Knudson Architects and Engineers ("BCK") was merged within the framework of IBI group. BCK is a firm of 73 architects and engineers based in Binghamton New York.

Effective December 1, 2007, the practice of Landplan Associates Limited ("Landplan") was acquired. Landplan is a firm of 12 landscape architects based in Calgary Alberta.

Subsequent to the year-end, IBI has announced three additional acquisitions.

On January 31, 2008, IBI Group completed the acquisition of the practices of Young + Wright Architects Limited of Toronto and Lawrence Doyle, Young + Wright Architects of Vancouver. (Collectively referred to as "Y+W"). Y+W is a very broadly based architectural practice comprising institutional buildings for education, community facilities for worship and other community purposes, commercial retail, entertainment and sports, work place and residential facilities. The firms constituting the Y+W practice have been serving a broad base of public and private clientele from operating offices in Toronto and Vancouver for some 30 years.

On February 1, 2008, IBI Group completed the acquisition of the practice of Piranha Tendances, Conseil Strategique et Communications Inc. ("Piranha"). Piranha is a consulting firm focused on the practice of strategy, communications, market research and branding of facilities, products and services. The Firm has been serving both public and private clients, from its offices in Montreal for the past nine years.

On February 22, 2008 IBI Group completed the acquisition of the practice of Gescona Inc.("Gescona"). Gescona, based in Montreal, provides consulting services to clients in the tourism, resorts and leisure industries.

These acquisitions added a further 131 people to the present staff complement of 1,584 people.

Selected Consolidated Financial Information and Reconciliation of Non-GAAP Measures

in thousands of dollars except for per Unit amounts	Three months ended December 31, 2007 Unaudited	Three months ended December 31, 2006 Unaudited	Year ended December 31, 2007	Year ended December 31, 2006
Revenue	$ 49,705	$ 39,876	$ 179,927	$ 151,912
Expenses				
Salaries, fees and employee benefits	30,273	26,008	113,097	96,413
Other cash operating costs (other than interest)	11,271	7,045	35,009	28,742
	41,544	33,053	148,106	125,155
Earnings before income taxes, interest and amortization (EBITDA)	8,161	6,823	31,821	26,757
Interest	789	811	2,665	2,180
Income taxes - current	945	37	1,596	1,046
Income taxes - deferred	184	(298)	(2,966)	(298)
Amortization of property and equipment and intangible assets	1,432	2,846	5,375	7,051
Amortization of deferred credit - leases	(72)	(90)	(290)	(360)
Net earnings before non-controlling interest	$ 4,883	$ 3,517	$ 25,441	$ 17,138
Non-controlling interest	1,773	1,300	9,374	6,660
Net earnings	$ 3,110	$ 2,217	$ 16,067	$ 10,478
Basic and diluted net earnings per Unit	$ 0.3527	$ 0.2588	$ 1.8618	$ 1.3208
Distributable Cash				
Cash flow from operating activities	$ 8,201	$ 6,361	$ 12,508	$ 1,946
Less: Capital expenditures	(551)	(684)	(3,588)	(2,647)
Standardized distributable cash	$ 7,650	$ 5,677	$ 8,920	$ (701)
Add (deduct):				
Change in non-cash operating working capital	(1,774)	(386)	15,052	21,883
Current income tax expense	945	37	1,596	748
Income taxes paid	(192)	(561)	(702)	(1,490)
Distributable cash	$ 6,629	$ 4,767	$ 24,866	$ 20,440
Weighted average basic and diluted distributable cash per Unit (1)	$ 0.4789	$ 0.3507	$ 1.8205	$ 1.5773
Aggregate distributions declared	$ 5,180	$ 4,282	$ 18,920	$ 15,813
Basic and diluted aggregate distributions declared per Unit (1)	$ 0.3625	$ 0.3150	$ 1.3733	$ 1.2141
Total assets	$ 250,613	$ 188,067	$ 250,613	$ 188,067

(1) Distributable cash per Unit amounts are calculated by including both the Class A partnership units and the Class B partnership units in the denominator.

Non-GAAP Measures

Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. The term is generally used by Canadian open-ended income funds as an indicator of financial performance. The Fund defines distributable cash as cash flow from operating activities before change in non-cash operating working capital and income taxes and after capital expenditures and income taxes paid. Reconciliations of distributable cash to cash flow from operating activities have been provided under the headings "Selected Consolidated Financial Information and Reconciliation of Non-GAAP Measures" and "Summary of Quarterly Results".

The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. Management of the Fund believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Units.

References in this MD&A to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization. Management of the Fund believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating activities as a measure of liquidity and cash flows. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP, and the Fund's method of calculating EBITDA may differ from the methods used by other similar entities. Accordingly, EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net earnings to EBITDA have been provided under the headings "Selected Consolidated Financial Information and Reconciliation of Non-GAAP Measures" and "Summary of Quarterly Results".

Results of Operations

The professional services provided by the Fund, focused on the four main areas of the physical development of cities, comprise the substantial majority of the Fund's activities. The Fund also provides management services for recreational facilities, primarily on behalf of local Government agencies in Quebec. The management of recreational facilities provides added value to the professional services provided by the Fund in the planning and design of such facilities by the Fund. However, the operating parameters and the results from the management of facilities are significantly different from the professional services activities of the Fund. Accordingly, the Fund has provided the operating results of the facility management activities as a separate segment from consulting services, which constitute the substantial majority of the Fund's activities.

The following tables show the operating results by segment.

	Year ended December 31, 2007			Year ended December 31, 2006		
(in millions of dollars)	Consulting Services	Facilities Management	Total	Consulting Services	Facilities Management	Total
Revenue	163.9	16.0	179.9	141.2	10.7	151.9
Expenses						
Salaries, fees and employee benefits	104.9	8.2	113.1	89.8	6.6	96.4
Other cash operating costs (other than interest)	27.7	7.3	35.0	24.7	4.0	28.7
	132.6	15.5	148.1	114.5	10.6	125.1
EBITDA	31.3	0.5	31.8	26.7	0.1	26.8

	Three months ended December 31, 2007			Three months ended December 31, 2006		
(in millions of dollars)	Consulting Services	Facilities Management	Total	Consulting Services	Facilities Management	Total
Revenue	43.6	6.1	49.7	37.1	2.7	39.8
Expenses						
Salaries, fees and employee benefits	27.6	2.7	30.3	24.1	1.9	26.0
Other cash operating costs (other than interest)	8.1	3.1	11.2	6.1	0.9	7.0
	35.7	5.8	41.5	30.2	2.8	33.0
EBITDA	7.9	0.3	8.2	6.9	(0.1)	6.8

Revenue

The Fund reports revenue net of direct recoverable costs as these costs can vary significantly from contract to contract and are not indicative of our professional services business.

For the year ended December 31, 2007, revenue was up $28.0 million (18.4%) to $179.9 million compared to $151.9 million for the year ended December 31, 2006. For the three months

ended December 31, 2007, revenue was up $9.8 million (24.6%) to $49.7 million compared to $39.9 million for the three months ended December 31, 2006.

The following table summarizes the impact the strategic growth through acquisition and the organic growth on net revenue for both the three months and year ended December 31, 2007.

	Three months ended December 31, 2007 vs. 2006		Year ended December 31, 2007 vs. 2006	
	$ million's	%	$ million's	%
Acquisition growth	3.5	8.7	7.0	4.6
Organic growth	6.3	16.0	21.0	13.8
Total increase in revenue	9.8	25.7	28.0	18.4

Revenue from strategic growth through acquisitions was approximately $7.0 million of the increase for the year ended December 31, 2007 and $3.5 million for three months ended December 31, 2007. This strategic growth was generated through the additional revenues resulting from the RMPK acquisition in the second quarter of 2007 and the PEIL, BCK and Landplan acquisitions during the fourth quarter of 2007. The organic growth for the year was $21.0 million of which $15.7 million (11.1% growth) was in the consulting services practice and $5.3 million (49.5% growth) was in the facilities management practice. The growth in the facilities management practice was the result of two significant new contracts entered into during the 2007. The overall growth in activity was accomplished through an 18.7% increase in the average number of staff from 1,195 during 2006 to 1,418 during 2007. The number of staff as of December 31, 2007 was 1,584, up from 1,264 as of December 31, 2006.

Expenses

Salaries, fees and employee benefits for the year ended December 31, 2007 were up $16.7 million (17.3%) to $113.1 million compared with $96.4 million for the year ended December 31, 2006. For the three months ended December 31, 2007, salaries, fees and employee benefits were up $4.3 million (16.4%) to $30.3 million compared with $26.0 million for the three months ended December 31, 2006. This increase was the result of the growth in staff levels and increased wages. Salaries, fees and employee benefits as a percentage of revenue for the year ended December 31, 2007 were 62.9% compared with 63.5% for the year ended December 31, 2006, and 60.9% for the three months ended December 31, 2007 compared with 65.2% for three months ended December 31, 2006. The decrease in these percentages over the prior year periods were primarily the result of growth in the facilities management practice which operates at a lower percentage than the consulting services practice.

Other cash operating costs (other than interest) for the year ended December 31, 2007 were up $6.3 million (21.8%) to $35.0 million compared with $28.7 million for the year ended December 31, 2006. For the three months ended December 31, 2007, other cash operating costs (other than interest) were up $4.2 million (60.0%) to $11.3 million compared with $7.0 million for the three months ended December 31, 2006. As a percentage of revenue, other operating costs (other than interest) for the year ended December 31, 2007 were 19.4% compared with

18.9% for year ended December 31, 2006, and for the three months ended December 31, 2007 were 22.5% compared with 17.7% the three months ended December 31, 2006. The increase in these percentages over the prior year periods were primarily the result of growth in the facilities management practice which operates at a higher percentage of operating costs to revenues than the professional services practice.

Amortization for the year ended December 31, 2007 was down $1.6 million to $5.1 million compared with $6.7 million for the year ended December 31, 2006. For the three months ended December 31, 2007, amortization was $1.4 million, which was down $1.4 million from the $2.8 million for the three months ended December 31, 2006. Amortization for the year ended December 31, 2007 on client relationships, contracts and non-competition provisions was $2.8 million compared with $4.9 million for the year ended December 31, 2006. For the three months ended December 31, 2007, amortization expense includes $0.7 million of amortization expense on client relationships, contracts and non-competition provisions compared with $2.2 million for the three months ended December 31, 2006.

Income taxes of the Fund for the year ended December 31, 2007, income taxes were a credit of $1.4 million compared with an expense $0.7 million for the year ended December 31, 2006. For the three months ended December 31, 2007 were $1.1 million compared with a credit amount $0.3 million for the three months ended December 31, 2006. Current tax expense for the year ended December 31, 2007 was up $0.6 million to $1.6 million, compared with $1.0 million for the year ended December 31, 2006. This increase was due to the growth in net income in taxable entities.

The tax expense for the year ended December 31, 2007 includes a deferred tax credit of $3.0 million, compared with a deferred tax credit of $0.3 million for the year ended December 31, 2006. On June 12, 2007, Bill C-52 Budget Implementation Act, 2007 (the "SIFT Legislation") passed third reading in the House of Commons and received Royal Assent on June 22, 2007, enacting amendments to the Income Tax Act (Canada). The SIFT Legislation relates to the taxation of certain publicly traded or listed partnerships and trusts which are specified investment flow-through entitles ("SIFTs") in Canada. As a result, a new 29.5% tax will be applied on certain distributions from SIFTs. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to SIFTs that existed prior to November 1, 2006. As a result of this enactment of the SIFT Legislation, IBI Group recorded a $3.2 million future income tax credit and increased its future income tax asset in the second quarter of 2007. The future income tax adjustment represents the deductible temporary differences of the Fund that will reverse in or after 2011 tax effected at 29.5%, which is the rate that will be applicable in 2011 under the current legislation and the Fund's current structure.

Net earnings before non-controlling interest of the Fund for the year ended December 31, 2007 were $25.4 million or $1.8618 per Unit (on a fully diluted basis) compared with $17.1 million or $1.3208 per Unit (on a fully diluted basis) for the year ended December 31, 2006. For the three months ended December 31, 2007, net earnings before non-controlling interest were $4.9 million or $0.3527 per Unit (on a fully diluted basis) compared with $3.5 million or $0.2588 per Unit (on a fully diluted basis) for the three months ended December 31, 2006. As a percentage of revenue, net earnings before non-controlling interest were 14.1% for the year ended December 31, 2007, compared with 11.3% for the year ended December 31, 2006. For

the three months ended December 31, 2007, net earnings before non-controlling interest as a percentage of revenue was 9.7% compared with 8.8% for the three months ended December 31, 2006.

EBITDA for the year ended December 31, 2007 was up $5.1 million (18.9%) to $31.8 million compared with $26.8 million for the year ended December 31, 2006, compared to 18.7% growth in revenue. For the three months ended December 31, 2007, EBITDA was $8.2 million, up $1.3 million (19.2%) from $6.8 million for the three months ended December 31, 2006. As a percentage of revenue, EBITDA for the year ended December 31, 2007 was up slightly over the prior year at 17.7%. For the three months ended December 31, 2007, EBITDA was 16.4% as a percentage of revenue compared with 17.1% for the three months ended December 31, 2006. The facilities management business yields a lower EBITDA as a percentage of revenue than the consulting services business of IBI Group. Excluding the results of the facilities management business, EBITDA as a percentage of revenue was 19.1% for the year ended December 31, 2007 compared with 18.9% for the year ended December 31, 2006.

Distributable Cash

in thousands of dollars except for per Unit amounts	Three months ended December 31, 2007 Unaudited	Three months ended December 31, 2006 Unaudited	Year ended December 31, 2007	Year ended December 31, 2006
Cash flow from operating activities	$ 8,201	$ 6,361	$ 12,508	$ 1,946
Less capital expenditures	(551)	(684)	(3,588)	(2,647)
Standardized distributable cash	$ 7,650	$ 5,677	$ 8,920	$ (701)
Add (deduct):				
Change in non-cash operating working capital	(1,774)	(386)	15,052	21,883
Current income tax expense	945	37	1,596	748
Income taxes paid	(192)	(561)	(702)	(1,490)
Distributable cash	$ 6,629	$ 4,767	$ 24,866	$ 20,440
Weighted average basic and diluted distributable cash per Unit (1)	$ 0.4789	$ 0.3507	$ 1.8205	$ 1.5773
Aggregate distributions declared	$ 5,180	$ 4,282	$ 18,920	$ 15,813
Basic and diluted aggregate distributions declared per Unit (1)	$ 0.3625	$ 0.3150	$ 1.3733	$ 1.2141
Payout ratio	75.7%	89.8%	75.4%	77.4%

(1) Distributable cash per Unit amounts are calculated by including both the Class A partnership units and the Class B partnership units in the denominator.

Standardized Distributable Cash is calculated in accordance with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." For the year ended December 31, 2007, the Fund generated $24.9 million of Distributable Cash, up $4.4 million, (21.7%) compared with $20.4 million for the year ended December 31, 2006. For the three months ended December 31, 2007, the Fund generated

$6.6 million of Distributable Cash, up $1.9 million (39.1%) compared with $4.8 million for the three months December 31, 2006. On a per Unit basis, based on the weighted average number of Units outstanding, Distributable Cash was $1.8205 for the year ended December 31, 2007; an increase of $0.2432 compared with $1.5773 for the year ended December 31, 2006. This represents a payout ratio of 75.4% for the year ended December 31, 2007, compared with 77.4% for the year ended December 31, 2006. For the three months ended December 31, 2007, the payout ratio was 75.7%, compared with a payout ratio of 89.8% for the three months ended December 31, 2006.

The Fund announced two increases in the monthly distributions during 2007. In March, the monthly distribution increased by 7.9% to $0.113333 per unit ($1.36 per unit per year). In September, the monthly distribution increased by a further 6.6% to $0.120833 per unit ($1.45 per unit per year).

On January 23, 2008, a distribution of $0.120833 per Unit was declared to each Unitholder of record at January 31, 2008, which was paid on February 29, 2008. In addition, on January 23, 2007 IBI Group declared a distribution of $0.120833 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at January 31, 2008, which was paid on February 29, 2008. The total cash requirement for these distributions is $1.9 million.

On February 21, 2008, a distribution of $0.1275 per Unit was declared to each Unitholder of record at February 28, 2007, which is payable on March 31, 2008. In addition, on February 21, 2008 IBI Group declared a distribution of $0.1275 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at February 28, 2007 which is payable on March 31, 2008. The total cash requirement for these distributions is $2.0 million.

On March 20, 2008, a distribution of $0.1275 per Unit was declared to each Unitholder of record at March 31, 2008, which is payable on April 30, 2008. In addition, on March 20, 2008 IBI Group declared a distribution of $0.1275 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at March 31, 2008 which is payable on April 30, 2008. The total cash requirement for these distributions is $2.0 million.

Liquidity and Capital Resources

The following table represents the working capital information as at December 31, 2007 compared to December 31, 2006:

in thousands of dollars	December 31, 2007	December 31, 2006	$ Change
Current assets	127,106	75,185	51,921
Current liabilities	(47,393)	(52,204)	4,811
Working capital	79,713	22,981	56,732

Note: Working capital is calculated by subtracting current liabilities from current assets.

Cash flows from operating, financing and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following table:

in thousands of dollars except ratio	2007	2006	$ Change
Cash flows from operating activities	12,509	1,946	10,563
Cash flows from financing activities	25,273	26,803	(1,530)
Cash flows used in investing activities	(9,943)	(19,174)	9,231

During the year ended December 31, 2007, the Fund's working capital increased by $56.7 million. This increase was the result of a $51.9 million increase in current assets, together with a $4.8 million decrease in current liabilities as compared with the balances at December 31, 2006. On December 20, 2007, 2,083,333 units were issued through a public offering at $24 per unit, for gross proceeds of $50.0 million. These funds were used to pay down approximately $27.0 million of debt with the remaining amount being part of the cash balances of $23.7 million. Accounts receivable and work in process were up, reflecting the continuing growth of revenues together with a growth in the number of larger projects with milestone billings resulting in some projects with larger work in process balances than in 2006.

Cash flows from operating activities for the year ended December 31, 2007 were up $10.6 million to $12.5 million compared with the year ended December 31, 2006. This increase was the result in the growth in earnings for the year ended December 31, 2007 together with the difference in the change in non-cash operating working capital in comparison with that of the year ended 2006.

Cash flows from financing activities were down $1.5 million to $25.3 million for the year ended December 31, 2007 compared with $26.8 million for the year ended December 31, 2006. On December 20, 2007, the Fund raised $47.7 million, net of issue costs, which was used to repay $27.7 million of debt with $20.0 million being retained in a term deposit.

Cash flows used in investing activities for the year ended December 31, 2007 related to the payments made on the closing of the acquisitions during 2007 as well as on capital assets.

Capital expenditures during the year ended December 31, 2007 were up $1.0 million to $3.6 million compared with $2.6 million for the year ended December 31, 2006. For the three months ended December 31, 2007, capital expenditures were $0.5 million, down from $0.7 million for the three months ended December 31, 2006.

On May 31, 2007, 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 $15.0 million to $65.0 million, consisting of a $15.0 million operating facility (the "Operating Facility") and $50.0 million 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. See "Forward Looking Statements and Risk Factors".

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 partnership units of IBI Group and to finance certain payments by IBI Group in respect of certain acquisitions previously made by it. As at December 31, 2007, IBI Group had borrowings of $1.0 million 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 $10.0 million of IBI Group's indebtedness under its previous operating facility. The $10.0 million refinancing was completed on July 20, 2006. As at December 31, 2007, IBI Group had borrowings of $24.0 million under the Term Facility.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD$1 million 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.

IBI Group has future contractual obligations relating to existing facilities and office equipment operating leases as follows:

($'000's)	Total	Less than 1 year	1 – 3 years	4 – 5 years	Thereafter
Operating Leases	$57,323	$11,925	$21,480	$15,869	$8,049

Summary of Quarterly Results

The following table provides quarterly historical financial data for the Fund for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto.

in thousands of dollars except for per Unit amounts	4th Qtr 2007 Unaudited	3rd Qtr 2007 Unaudited	2nd Qtr 2007 Unaudited	1st Qtr 2007 Unaudited	4th Qtr 2006 Unaudited	3rd Qtr 2006 Unaudited	2nd Qtr 2006 Unaudited	1st Qtr 2006 Unaudited
Revenue	$ 49,705	$ 45,413	$ 43,253	$ 41,556	$ 39,876	$ 39,477	$ 37,161	$ 35,398
Net Earnings	3,110	3,893	5,566	3,498	2,217	3,102	2,839	2,320
Non-controlling interest	1,773	2,285	3,264	2,052	1,300	1,820	1,665	1,875
Interest	789	648	646	582	811	540	481	348
Income taxes	1,128	200	(3,017)	318	(261)	494	342	173
Amortization of property and equipment and intangible assets	1,432	1,347	1,358	1,237	2,846	1,427	1,525	1,253
Amortization of deferred credit - leases	(72)	(72)	(72)	(73)	(90)	(90)	(90)	(90)
Earnings before income taxes, interest and amortization (EBITDA)	8,161	8,301	7,745	7,614	6,823	7,293	6,762	5,879
EBITDA as a percentage of Revenue	16.4%	18.3%	17.9%	18.3%	17.1%	18.5%	18.2%	16.6%
Distributable cash reconciliation								
Cash flow from operating activities	8,201	2,628	2,993	(1,314)	6,361	2,556	(1,379)	(5,592)
Less capital expenditures	(551)	(795)	(848)	(1,394)	(684)	(534)	(842)	(587)
Standardized distributable cash	7,650	1,833	2,145	(2,708)	5,677	2,022	(2,221)	(6,179)
Add (deduct):								
Change in non-cash operating working capital	(1,774)	4,825	3,973	8,024	(386)	3,703	7,318	10,950
Current income tax expense	945	200	133	318	37	494	342	173
Income taxes paid	(192)	(253)	(109)	(148)	(561)	(314)	(613)	(2)
Distributable cash	6,629	6,605	6,142	5,490	4,767	5,905	4,826	4,942
Basic and diluted distributable cash per Unit	0.4789	0.4859	0.4518	0.4039	0.3507	0.4344	0.3550	0.4395
Basic and diluted aggregate distributions declared per Unit	0.3625	0.3474	0.3400	0.3233	0.3150	0.3050	0.3000	0.2941
Pay out ratio	75.7%	71.5%	75.3%	80.1%	89.8%	70.2%	84.5%	66.9%
Basic and diluted net earnings per Unit	0.3527	0.4544	0.6496	0.4083	0.2588	0.3621	0.3313	0.3730
Personnel – average	1,525	1,437	1,389	1,291	1,271	1,256	1,167	1,086
Personnel – quarter end	1,584	1,429	1,442	1,289	1,262	1,282	1,206	1,092

Transactions with Related Parties

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 partnership units of IBI Group, representing 32% of the outstanding partnership units of IBI Group, and which in total holds an interest in the Fund of approximately 46.6% (on a fully-diluted basis). 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 then current market rates, bringing the total annual lease payments under these leases to approximately $2.2 million.

Pursuant to the Administration Agreement entered into in connection with the closing of the Fund's initial public offering of Units, 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 year ended December 31, 2007 was $11.6 million compared with $9.4 million in 2006. This increase reflects the growth in the number of partners within the Management Partnership from 46 in 2006 to 53 in 2007. In addition, IBI Group pays a separate management fee to the Management Partnership representing compensation paid to the former partners of DAA 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 year ended December 31, 2007 was $1.1 million compared with $1.3 million in 2006.

IBI Group Management Partnership had advanced $9.0 million to IBI Group by way of two term loans. The loans 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 loans were subordinated to the Fund's indebtedness to its bank lender and were unsecured. The loans were to mature two years following the original issuance of the promissory note evidencing the loan. The advances were fully repaid on December 20, 2007.

On January 31, 2007, the balance of consideration owing in connection with the merger of the business of DAA with the business of IBI Group was paid through distributions on the Class C unit in the aggregate amount of $15.4 million. This payment was financed by the Fund through an additional draw down on the Term Facility of $14.0 million with the balance being drawn on the Operating Facility. Concurrently with this payment, the Management Partnership distributed to DAA on its Class 1 units of the Management Partnership 99.9999% of (i) $14.5 million less (ii) $1.56 million in respect of which DAA exercised an option granted to it by the Management Partnership at the time of the merger to convert the right to receive such amount in cash into a partnership interest in the Management Partnership which provides for an economic return equal to that which would be obtained by holding 154,000 of the Units held by the Management Partnership (determined by dividing the portion of the payment so converted by $11.00, the price at which the Fund issued Units pursuant to its public offering dated February 22, 2006). The net cash payment made to DAA by the Management Partnership amounted to $12.94 million. At the same time, the Management Partnership also distributed to DAA on its Class 1 units of the Management Partnership an amount equal to 99.9999% of the amount

distributed by IBI Group on the Class C units calculated by multiplying the prime interest rate quoted by IBI Group's bank lender by the balance of the consideration.

IBI Group is managing the collection of the residual accounts receivable and other working capital of the Management Partnership that was on hand as at August 31, 2004. These amounts are being repaid to the Management Partnership as they are realized. As at December 31, 2007, $0.9 million had been realized and is shown on the Fund's balance sheet as a current liability.

Subsequent Transactions

On January 31, 2008, IBI Group completed the acquisition of Young + Wright Architects Limited of Toronto and Lawrence Doyle, Young + Wright Architects of Vancouver. (Collectively referred to as Y+W). Y+W is a very broadly based architectural practice comprising institutional buildings for education, community facilities for worship and other community purposes, commercial retail, entertainment and sports, work place and residential facilities. The firms constituting the Y+W practice have been serving a broad base of public and private clientele from operating offices in Toronto and Vancouver for some 30 years

On February 1, 2008, IBI Group completed the acquisition of Piranha Tendances, Conseil Strategique et Communications Inc. ("Piranha"). Piranha is a consulting firm focused on the practice of strategy, communications, market research and branding of facilities, products and services. The Firm has been serving both public and private clients, from its offices in Montreal for the past nine years.

On February 22, 2008 IBI Group completed the acquisition of the practice of Gescona Inc. Gescona, based in Montreal, provides consulting services in to clients in the tourism, resorts and leisure industries.

Disclosure Controls and Procedures

As required by Multilateral Instrument 52-109, the Fund's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Fund's annual filings. As part of certification, the CEO and CFO must certify that they are responsible for establishing and maintaining disclosure controls and procedures for the Fund to provide reasonable assurance that material information about the Fund and its subsidiaries is made known to them and that they have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Fund is processed and reported on a timely basis to the Fund's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Fund has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices.

The CEO and CFO of the Fund, together with management of the Fund have evaluated the effectiveness of the Fund's disclosure controls and procedures and are collectively satisfied

that, as of December 31, 2007, the Fund's disclosure controls and procedures were adequate and effective.

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurances regarding the reliability of the Fund's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principals. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to its ICFR during the year ended December 31, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

Critical Accounting Estimates

The preparation of the Fund's consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on the Fund's experience combined with management's understanding of current facts and circumstances. These estimates may differ from actual results, and certain estimates are considered critical, as they are both important to reflect the Fund's financial position and results of operations and require significant or complex judgement on the part of management. The following is a summary of certain accounting estimates or policies considered critical by the management of the Fund.

Work in Process - Work in process is valued based on the time and materials that have been charged into each particular project. The amount for each project is reviewed on a periodic basis by the financial management of the Fund together with the senior management of IBI Group responsible for the project to determine whether or not the amount shown is a true reflection of the amount that will be invoiced on the project. Where there is a determination that there are differences between the work in process for the project and the amount that can be invoiced, adjustments are made to the work in process. The valuation of the work in process involves estimates of the amount of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the over or undervaluation of work in process.

Provision for Doubtful Accounts – Estimates are used in determining the allowance for doubtful accounts related to trade receivables. These estimates are based on management's best assessment of the collectibility of the related receivable balance based, in part, on the age of the specific receivable balance. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operations in future periods as well as accounts receivable and other operating expenses.

Goodwill – Goodwill is tested for impairment at least annually. This testing includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. Estimating the fair value of a reporting unit is a

subjective process and requires the use of best estimates. If the estimates or assumptions change from those used in the current valuation, an impairment loss may be recognized in future periods.

The Fund has elected to carry out its annual impairment test in December of each year for all its existing reporting units. As at December 31, 2007, such test determined that no impairments exist

Intangible Assets - Intangible assets comprise customer relationships, contracts and non-competition provisions that were acquired by the Fund. Amortization expense on the client relationships, contracts and non-competition provisions, which have finite lives, has been recorded in the consolidated statement of income over their estimated economic lives. Management has estimated that these items should be amortized over one to two years for contracts, three years for non-competition provisions and ten years for client relationships.

Accounting Developments

Effective January 1, 2007, the Fund adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1530, Comprehensive Income, Section 1651, Foreign Currency Translation, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865 Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement. The statement of comprehensive income shows a total of the net income recognized by the Fund, in addition to the other comprehensive income of the Fund. Other comprehensive income items are items which are being shown on the balance sheet at their fair value until the items are realized.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity financial assets, loans and receivables and other financial liabilities which are measured at cost or amortized cost. The Fund has implemented the following classifications:

- Accounts receivable and work in process are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Fund, the measured amount generally corresponds to cost due to their short-term maturity.

- Bank indebtedness and cash balances are classified as "Financial Assets Held for Trading". They are presented at their fair value and the gains/losses arising on the revaluation at each period end are included in consolidated income. The carrying value of bank indebtedness and cash is a reasonable estimate of their fair value due to their short-term maturity.

- Derivative financial instruments that are designated as cash flow hedges are classified as "Assets and Liabilities Available for Sale". They are presented at their fair value, representing the approximate amount the Fund would receive or pay on settlement of these contracts at spot rates, and the gains/losses arising from the revaluation at the end of each period are included in comprehensive income. The impact of remeasuring hedging derivatives on the consolidated financial statements on January 1, 2007 was to recognize unrealized interest rate swap losses and opening accumulated other comprehensive loss of $0.6 million.

- Accounts payable and accrued liabilities, notes payable and long-term debt are classified as "Other Financial Liabilities". They are initially presented at their cost or amortized cost. Subsequent measurements are at cost, net of amortization, using the effective interest rate method. For the Fund, that value corresponds to cost either as a result of their short term maturity or the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant difference between their fair value and their carrying value, based on rates currently available to the Fund on loans with similar terms and remaining maturities.

Effective January 1, 2007, the Fund records all transaction costs for financial assets and financial liabilities in income as incurred. The Fund had previously deferred these costs and amortized them over the term of the related debt. The carrying value of transaction costs at December 31, 2006 of $0.3 million was charged to opening deficit on transition on January 1, 2007.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations.

In accordance with these new standards there has been a retroactive adjustment to reclassify the cumulative translation adjustment as of January 1, 2006 as accumulated other comprehensive loss and therefore is reflected in cumulative impact of implementing new accounting standards. The movement in cumulative transition adjustment is recorded in accumulated other comprehensive loss.

The CICA issued a new accounting standard, Section 1535 *Capital Disclosures*, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section is effective for the Fund beginning January 1, 2008.

Two new accounting standards were issued by the CICA, Section 3862 *Financial Instruments – Disclosures*, and Section 3863 *Financial Instruments – Presentation*. These sections will replace Section 3861 *Financial Instruments – Disclosure and Presentation* once adopted. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments,

related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Fund beginning January 1, 2008.

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 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.

Key Factors Affecting the Business of IBI Group

The Fund believes that IBI Group has a strategy that will allow it to adapt to current trends affecting the manner in which professional services are provided in the industries in which it operates.

Globalization and increasing concentration in ownership and management of assets in all four areas of development in which IBI Group practices is resulting in clients acquiring an increasing share of the professional services that they require from fewer, larger and more broadly based firms. IBI Group, through its regional network of offices, is well positioned to provide services on a strategic basis to clients for their national and international portfolios. The Fund believes that IBI Group's continued program of strategic and organic growth will enhance IBI Group's position in the markets that it serves.

Another trend involves the growth in private finance initiatives ("PFI"), design-build projects and outsourcing in the public sector. In PFI, design-build and outsourcing projects, competing entities are required to make financial offers for the provision of a facility to be privately financed with the capital to be recouped through future revenue streams or capital repayments. Participation in bids for work of this kind requires IBI Group to undertake enough professional work to responsibly estimate the capital and operating costs of the project. IBI Group's work in such circumstances is partially or wholly at risk until it is awarded the project. IBI Group's increasing size will allow it to devote more resources to obtaining work of this nature, while maintaining targeted chargeable time for staff on revenue producing contracts.

The health of the economy in each of the regions in which IBI Group operates and the levels of professional fees related to capital expenditures in each of IBI Group's four main areas of practice have represented, and are expected to continue to represent key determinants of IBI Group's profitability and cash flow. The industries in which IBI Group operates are affected by general economic conditions, including international, national, regional or local economic conditions, all of which are outside of IBI Group's control. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency

exchange rates, reduced client spending and other factors could have a material adverse effect on the results of operations, financial condition and cash flow of IBI Group and the Fund.

IBI Group has a strategy for addressing discontinuities or shifts in the levels of economic activity geographically or in activity levels in the four areas of development which IBI Group serves. This strategy is based on IBI Group's program of successfully deploying people geographically to serve different market areas through relocation, travel and increasingly through internet platforms for delivery of work. Similarly, IBI Group's strategy for shifting staff involvement between the four broad areas that IBI Group serves is based on recruiting and training staff to have capability in more than one area.

A current relevant example of shifts in economic activity is the slow down in housing production in the southern United States, including Florida and California, where IBI Group has substantial activity in land development and facilities relative to new multiple housing creation. Large land planning projects are continuing as they take many years to achieve statutory approvals and major landowners continue to pursue approvals in order to have sites ready for development when there is an upturn in new housing development. However, there are slowdowns in the production of land development and actual building starts, which are affecting IBI Group's land engineering and architectural activity in these areas. Balancing these slowdowns is intensification of activity in land development and building design in Canada and in China, which is more than absorbing the effect that the slowdown in the southern United States is having on IBI Group. Overall IBI Group continues to search for more human resources in order to satisfy its continuing backlog of committed contracted work.

IBI Group's financial results are expected to be affected by its ability to retain senior management and professional staff and effectively control expenses incurred to deliver its services. IBI Group has completed fourteen acquisitions (including three in 2008) since the completion of its initial public offering on August 31, 2004, adding approximately 700 professional staff through such acquisitions.

IBI Group will face a number of challenges associated with integrating the businesses of firms which it has acquired and which it may acquire in the future as part of its growth strategy. Risks associated with integration of these businesses which could adversely affect IBI Group's results of operations, financial condition and distributable cash include: (i) the risk that management may not be able to successfully manage the acquired operations and the integration may place significant demands on management, diverting their attention from existing operations; (ii) the risk that IBI Group's operating, financial and management systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business of IBI Group; (iv) the risk that major clients of the acquired firms may not be retained following the acquisition of such firms; and (iv) the risk that acquisitions may result in liabilities and contingencies which could be significant to the operations of IBI Group.

IBI Group faces competition in each of the four main areas in which it operates. This competition is based on quality of service, reputation, expertise, local presence, the ability to provide services in different localities and price. IBI Group's success is based on combining a

local presence based on a local/regional model, through which relationships are developed with governments and businesses in specific localities in Canada, the United States, Europe, the Middle East and most recently China and India with developed excellence in functional skills in the four main areas in which it operates. This model is designed to enable IBI Group to effectively deploy its functional skills in areas of specialization to different regions in which IBI Group is based and to strengthen its regional role by importing such specializations to other regions. However, some of IBI Group's competitors have achieved substantially more market penetration in certain of the areas in which IBI Group competes. In addition, some of IBI Group's competitors have substantially more financial resources and/or financial flexibility than IBI Group. These competitive forces could have a material adverse effect on the Fund's results of operations, financial condition or distributable cash by reducing IBI Group's relative share in the areas it serves.

IBI Group faces risk from variations in exchange rates due to its operations in the United States and other foreign markets. IBI Group's strategy for addressing such risk involves a program of maintaining a relative balance between revenues and expenditures earned and incurred in any foreign currency.

IBI Group is also exposed to inflation risk. However, in inflationary cycles as inflation affects the cost of creating assets, IBI Group's professional services related to the research, planning and design of asset creation are expected to generate increased fees offsetting increased salary costs.

IBI Group may be exposed to fluctuations in interest rates under its borrowings, including its credit facilities. Increases in interest rates may have an adverse effect on the results of operations, financial condition and distributable cash of IBI Group and the Fund.

In addition to the risks referred to above, the business of IBI Group is subject to a number of other risks on an ongoing basis. The principal risks to which the business of IBI Group is subject are set out under the heading "Risk Factors" in the Fund's annual information form for the year ended December 31, 2007.

Outlook

In 2004**,** IBI Group established the target of growing its practice, which is focused in four main areas of development, being urban land, building facilities, transportation networks and systems technology, from its original Canadian base to a practice with global scale. In order to achieve global scale within a time frame of approximately five years, IBI Group embarked on a program, which combined continued organic growth with strategic growth through acquisition, integration and consolidation. The Fund's initial public offering, which was successfully completed on August 31, 2004, provided a framework for access to the capital required to pursue strategic growth through acquisition. Since that time, IBI Group has successfully grown from a staff of approximately 770 people and approximately $88.9 million in annual revenue to the current levels at year end of 1,584 staff and revenue of $179.9 million.

IBI Group continues to be confident in its ability to achieve success in its program of building the practice to a global scale based on the following factors:

- The current backlog of fee volume is at an all time high, in excess of the equivalent of year of work at the fee volume of the last twelve months. The backlog has increased in all four areas of IBI activity and in all geographic regions with the exception of Florida. Backlog for government and institutional clients has increased as a percentage of the total. This provides the basis for the continuing organic growth;

- IBI Group is currently in discussions with a wide range of firms interested in merging within IBI Group on terms similar to those on which IBI Group has completed its acquisitions to date. IBI has had a good start to the year 2008 with the acquisition/merger of Young + Wright Architects and two smaller firms adding a further total of 131 People. IBI's success in acquiring and integrating firms has now encouraged firms to approach IBI directly to be acquired;

- The successful results achieved by IBI Group to date along with its strong financial position have established favourable conditions for IBI Group to access both debt and equity capital to finance further strategic growth;

- IBI Group has an established and growing operating base in China, has added the office in Shanghai along with the original Beijing office, and has placed some leading staff members in the Shanghai office, and is attracting new clients to the firm;

- IBI continues to expand from the initial operations in India, with new contracts that include a number of projects for two leading firms in transportation infrastructure and other projects in real estate development; staff complement has also grown;

- IBI has now established an office in Dubai and now has new contracts providing services related to transportation, systems and real estate planning design;

- IBI is increasing staffing capability in both China and India, as resources for serving IBI project staffing needs continue to expand in western markets as well within these two fast growing economies.

Overall, the outlook for IBI Group for 2008 continues to be very encouraging, given the continuing business climate, the demand for the services of IBI Group as evidenced by its backlog, the new opportunities that IBI Group has in its new regions of activity in China and India, the continuing growth of the firm in serving clients in the Gulf region, and the continuing organic and strategic growth of the activity of the firm in Europe, the United States and Canada. Additionally, there is an increase in activity in public private partnerships (PPP) for the building, operating and transfer (BOT), of facilities and infrastructure. A notable example of this is the McGill University Health Center, recently announced for which IBI Group will be the lead architect for one of the two competing teams for this project. This increase is occurring in Canada assisted by the financial support at the Federal and Provincial level, as well as Internationally. IBI is increasingly active in this important expanding market area.

IBI Group has, since the second half of 2006, continued to monitor the volume of its work in serving the housing industry in urban land and facilities. To date, IBI has not experienced a slowdown in overall activity in this area, notwithstanding some regional slow

down in housing activity in California and Florida. The slowdown in Florida has led to an opportunity for IBI to re-deploy some of the experienced professional resources serving that market to assist in the continuing intensive level of activities in western Canada, central Canada and in China while at the same time deploying some professional resources to broaden the functional diversity of the IBI practice in California and in Florida. The strategy of shifting staff in between the four broad areas that IBI serves is based both on the retraining of staff as well as recruitment and strategic acquisitions. IBI has to date not experienced any slowdown in California; on the contrary the IBI practice in transportation and systems and in Urban Land for large scale urban projects all continue to expand organically.

Forward Looking Statements and Risk Factors

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund and its subsidiary entities, including IBI Group (collectively, the "Fund"), or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Fund's ability to maintain profitability and manage its growth; (ii) the Fund's reliance on its key professionals; (iii) competition in the industry in which the Fund operates; (iv) timely completion by the Fund of projects and performance by the Fund of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Fund; (viii) risk of future legal proceedings against the Fund; (ix) the international operations of the Fund; (x) reduction in the Fund's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) increased assumption by risk by the Fund; (xv) limits under the Fund's insurance policies; (xvi) the Fund's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Fund's subsidiary entities; (xvii) unpredictability and volatility of the price of Units; (xviii) the degree to which the Fund is leveraged may affect its operations; (xix) cash distributions are not guaranteed and will fluctuate with the Fund's performance; (xx) the nature of the Units; (xxi) the possibility of the distribution of securities on redemption or termination of the Fund; (xxii) the possibility that the Fund may issue additional Units diluting existing Unitholders' interests; (xxiii) the potential liability of Unitholders for obligations of the Fund; (xxiv) the continued investment eligibility of the Units; and (xxv) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Fund's annual information form for its year ended December 31, 2007. New risk factors may arise from time to time and it is not possible for management of the Fund to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Fund to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These

forward-looking statements are made as of the date of this MD&A, and the Fund assumes no obligations to update or revise them to reflect new events or circumstances.