

## 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 three months ended March 31, 2008. 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 May 9, 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](http://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 this first quarter of 2008, increasing the firms results and size to the highest ever. Staffing levels increased by 147 during the quarter from 1,584 at December 31, 2007 to 1,731 at March 31, 2008. This was accomplished through three acquisitions completed during the quarter, adding 131 staff, along with the organic growth of the continuing IBI Group practice. The total cost of the three acquisitions was \$15.8 million, subject to adjustments. Cash consideration of \$10.4 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.

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 Stratégique et Communications Inc. (“Piranha”). Piranha is a consulting firm focused on the practice of strategy for branding of facilities, services and products, communications, and market research. Piranha 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.

The results of the acquisitions together with the organic growth was the highest quarterly net fee revenue and EBITDA ever for the firm, notwithstanding the quarter being 62 days compared to an average full quarter of 63 days and compared to the first quarter of 2007 of 64 days. Each additional day represents approximately \$0.8 million of revenue, and approximately the same amount of EBITDA and cash generated.

## Selected Consolidated Financial Information and Reconciliation of Non-GAAP Measures

in thousands of dollars except for per Unit amounts	Three months ended March 31, 2008	Three months ended March 31, 2007 (2)
<b>Revenue</b>	\$ 51,369	\$ 39,133
<b>Expenses</b>		
Salaries, fees and employee benefits	33,571	25,252
Other cash operating costs (other than interest)	8,633	6,267
	42,204	31,519
<b>Earnings before income taxes, interest and amortization (EBITDA)</b>	9,165	7,614
Interest	703	582
Income taxes - current	547	318
Income taxes - future	(212)	-
Amortization of property and equipment and intangible assets	1,839	1,237
Amortization of deferred credit - leases	(51)	(73)
	6,339	5,550
<b>Net earnings before non-controlling interest</b>	\$ 6,339	\$ 5,550
Non-controlling interest	2,033	2,052
	\$ 4,306	\$ 3,498
Net earnings	\$ 4,306	\$ 3,498
Basic and diluted net earnings per Unit	\$ 0.4043	\$ 0.4083
<b>Distributable Cash</b>		
Cash flow used in operating activities	\$ (13,642)	\$ (1,314)
Less: Capital expenditures	(1,147)	(1,394)
	\$ (14,789)	\$ (2,708)
<b>Standardized distributable cash</b>	\$ (14,789)	\$ (2,708)
Add (deduct):		
Change in non-cash operating working capital	21,557	8,028
Current income tax expense	547	318
Income taxes paid	(794)	(148)
	\$ 6,521	\$ 5,490
<b>Distributable cash</b>	\$ 6,521	\$ 5,490
Weighted average basic and diluted distributable cash per Unit (1)	\$ 0.4160	\$ 0.4039
Aggregate distributions declared	\$ 5,892	\$ 4,395
Basic and diluted aggregate distributions declared per Unit (1)	\$ 0.3758	\$ 0.3233
Total assets	\$ 267,933	\$ 193,219

- (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.
- (2) 2007 Revenue, Salaries, fees and employee benefits, and other cash operating costs (other than interest) have been adjusted to reflect a retrospective adjustment of direct project expenses in the facilities management practice. See note 3 to the interim consolidated financial statements for the three months ended March 31, 2008.

## **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.

There has been a change in accounting policy in the facilities management practice introduced in 2008, which has resulted in a retrospective adjustment of revenue and expenses. Revenue is now being reported net of direct project costs, where in prior years, revenue had been shown as the gross amount and the direct project costs had been included in with the expenses. This presentation of the facilities management business is now consistent with the reporting on the IBI professional consulting services in which revenue is reported net of the direct project costs.

Accordingly, the Fund will issue restated financial statements for the year ended December 31, 2007 on Sedar.

The comparative numbers for 2007 have been adjusted retrospectively to present consistent reporting.

**The following tables show the operating results by segment.**

(in millions of dollars)	Three months ended March 31, 2008			Three months ended March 31, 2007		
	Consulting Services	Facilities Management	Total	Consulting Services	Facilities Management	Total
<b>Revenue</b>	50.5	0.9	51.4	38.2	0.9	39.1
<b>Expenses</b>						
Salaries, fees and employee benefits	32.9	0.6	33.5	24.7	0.5	25.2
Other cash operating costs (other than interest)	8.6	0.1	8.7	6.2	0.1	6.3
	41.5	0.7	42.2	30.9	0.6	31.5
<b>EBITDA</b>	9.0	0.2	9.2	7.3	0.3	7.6

### Revenue

For the three months ended March 31, 2008, revenue was up \$12.2 million (31.3%) to \$51.4 million compared to \$39.1 million for the three months ended March 31, 2007. Revenue from consulting services is generated based on chargeable hours with each available working day in 2008 representing approximately \$0.8 million in revenue. The three months ended March 31, 2008 had only 62 available working days compared with 64 available days for the three months ended March 31, 2007 and 63 days for an average quarter. The one additional day would have

raised revenue to approximately \$52.2 million. The additional revenue will be picked up over the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2008. (At the \$52.2 million, the revenue increase would be 33.3% over first quarter 2007).

The following table summarizes the impact the strategic growth through acquisition and the organic growth on net revenue the three months ended March 31, 2008.

	Three months ended March 31, 2008 vs. 2007	
	\$ million's	%
Acquisition growth	8.8	22.5
Organic growth	3.4	8.8
Total increase in revenue	12.2	31.3

Revenue from strategic growth through acquisitions was approximately \$8.8 million of the increase for the three months ended March 31, 2008. This strategic growth was generated through the additional revenues resulting from the acquisitions of RMPK, PEIL, BCK and Landplan during 2007 and the Y&W, Piranha and Gescona acquisitions during the first quarter of 2008. The organic growth for the quarter of \$3.4 million (8.8% growth) was concentrated in the consulting services practice with the revenue for the facilities management practice consistent with the previous year. The overall growth in activity was accomplished through a 30.8% increase in the average number of staff from 1,291 during the three months ended March 31, 2007 to 1,688 during the three months ended March 31, 2008. The number of staff as of March 31, 2008 was 1,731, up from 1,289 as of March 31, 2007.

## Expenses

**Salaries, fees and employee benefits** for the three months ended March 31, 2008 were up \$8.3 million (32.9%) to \$33.6 million compared with \$25.3 million for the three months ended March 31, 2007. 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 three months ended March 31, 2008 were 65.6% compared with 64.5% for the three months ended March 31, 2007. The increase in the percentage for the quarter was due to the fewer available days resulting in lower revenue while the salary costs remain primarily fixed as the majority of staff are salaried. (With an additional day of revenue for 63 days of an average quarter, salaries, fees and employee benefits as a percentage of revenue for the three months ended March 31, 2008 would have been approximately 64.4%)

**Other cash operating costs (other than interest)** for the three months ended March 31, 2008 were up \$2.4 million (37.8%) to \$8.6 million compared with \$6.3 million for the three months ended March 31, 2007. As a percentage of revenue, other operating costs (other than interest) for the three months ended March 31, 2008 were 16.8% compared with 16.0% for three months ended March 31, 2007. (With an additional day of revenue for 63 days of an average quarter, other operating costs (other than interest) as a percentage of revenue for the three months ended March 31, 2008 would have been approximately 16.5%)

**Amortization** for the three months ended March 31, 2008 was up \$0.6 million to \$1.8 million compared with \$1.2 million for the three months ended March 31, 2007. Amortization

for the three months ended March 31, 2008 on client relationships, contracts and non-competition provisions was \$1.1 million compared with \$0.7 million for the three months ended March 31, 2007. This increase was the result of the additional amortization related to the acquisitions that have recently been completed.

**Income taxes** of the Fund for the three months ended March 31, 2008 were consistent overall at \$0.3 million. Current income taxes for the three months ended March 31, 2008 were up \$0.2 million to \$0.5 million compared with \$0.3 million for the three months ended March 31, 2007. This increase was due to the growth in net income in taxable entities. The increase in current income taxes was offset by a future tax credit in the amount of \$0.2 million for the three months ended March 31, 2008.

**Net earnings before non-controlling interest** of the Fund for the three months ended March 31, 2008 were \$6.3 million or \$0.4043 per Unit (on a fully diluted basis) compared with \$5.6 million or \$0.4083 per Unit (on a fully diluted basis) for the three months ended March 31, 2007. As a percentage of revenue, net earnings before non-controlling interest were 12.3% for the three months ended March 31, 2008, compared with 14.2% for the three months ended March 31, 2007.

**EBITDA** for the three months ended March 31, 2008 was up \$1.6 million (20.4%) to \$9.2 million compared with \$7.6 million for the three months ended March 31, 2007. As a percentage of revenue, EBITDA for the three months ended March 31, 2008 was 17.8% compared with 19.5% for the three months ended March 31, 2007. The lower EBITDA as a percentage of revenue was the result of the fewer available days in the quarter. (With an additional day of revenue for 63 days of an average quarter, EBITDA for the three months ended March 31, 2008 would have been approximately \$10.0 million and 19.1% of revenue).

## Distributable Cash

	Three months ended March 31, 2008	Three months ended March 31, 2007
in thousands of dollars except for per Unit amounts		
Cash flow used in operating activities	\$ (13,642)	\$ (1,314)
Less capital expenditures	(1,147)	(1,394)
<b>Standardized distributable cash</b>	<b>\$ (14,789)</b>	<b>\$ (2,708)</b>
Add (deduct):		
Change in non-cash operating working capital	21,557	8,028
Current income tax expense	547	318
Income taxes paid	(794)	(148)
<b>Distributable cash</b>	<b>\$ 6,521</b>	<b>\$ 5,490</b>
Weighted average basic and diluted distributable cash per Unit (1)	\$ 0.4160	\$ 0.4039
Aggregate distributions declared	\$ 5,892	\$ 4,395
Basic and diluted aggregate distributions declared per Unit (1)	\$ 0.3758	\$ 0.3233
Payout ratio	90.3%	80.1%

(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 three months ended March 31, 2008, the Fund generated \$6.5 million of Distributable Cash, up \$1.0 million, (18.8%) compared with \$5.5 million for the three months ended March 31, 2007. On a per Unit basis, based on the weighted average number of Units outstanding, Distributable Cash was \$0.4160 for the three months ended March 31, 2008; an increase of \$0.00121 compared with \$0.4039 for the three months ended March 31, 2007. This represents a payout ratio of 90.3% for the three months ended March 31, 2008, compared with 80.1% for the three months ended March 31, 2007. Distributable cash for the three months ended March 31, 2008 has been negatively impacted by the increase in taxes paid as payments related to 2007 were made. In addition, the impact of two fewer available days as compared with the prior year period has resulted in lower distributable cash for the quarter. (With an additional day of revenue for 63 days of an average quarter, Distributable cash generated for the three months ended March 31, 2008 would have been approximately \$7.3 million, an increase of 33.3% and a payout ratio of approximately 80.5%)

On February 21, the Fund announced an increase in the monthly distribution of 5.5% to \$0.1275 per unit (\$1.53 per unit on an annual basis).

On April 22, 2008, a distribution of \$0.1275 per Unit was declared to each Unitholder of record at April 30, 2008, which is payable on May 31, 2008. In addition, on April 22, 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 April 30, 2008 which is payable on May 31, 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 March 31, 2008 compared to December 31, 2007:

in thousands of dollars	March 31, 2008	December 31, 2007	\$ Change
Current assets	126,718	127,106	(388)
Current liabilities	(62,528)	(47,393)	(15,135)
Working capital	64,190	79,713	(15,523)

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	Three months ended March 31, 2008	Three months ended March 31, 2007	\$ Change
Cash flows used in operating activities	(13,642)	(1,314)	(12,328)
Cash flows used in financing activities	(6,256)	(5,286)	(970)
Cash flows used in investing activities	(11,575)	(1,394)	(10,181)

During the three months ended March 31, 2008, the Fund's working capital decreased by \$15.5 million. This decrease was the result of a \$0.4 million decrease in current assets, together with a \$15.1 million increase in current liabilities as compared with the balances at December 31, 2007. Accounts receivable and work in process were up, reflecting the additional amounts from the firms acquired during the quarter together with continuing growth of revenues in 2008. This increase in the work in process and accounts receivable were offset by a decrease in cash balances during the quarter. The increase in the liabilities was the result of borrowing on the operating line during the quarter to pay for the acquisitions made as well as finance the growth in accounts receivable and work in process.

Cash flows used in operating activities for the three months ended March 31, 2008 were up \$12.3 million to \$13.6 million compared with the three months ended March 31, 2007. This increase was the result in the growth in non-cash operating working capital for the period.

Cash flows used in financing activities were up \$1.0 million to \$6.3 million for the three months ended March 31, 2008 compared with \$5.3 million for the three months ended March 31, 2007. This increase is primarily due to the higher level of distributions made in 2008.

Cash flows used in investing activities for the three months ended March 31, 2008 related to the payments made on the closing of the acquisitions during three months ended March 31, 2008 as well as on capital assets. Capital expenditures during the three months ended March 31,

2008 were down \$0.3 million to \$1.1 million compared with \$1.4 million for the three months ended March 31, 2007.

IBI Group has credit facilities of \$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 March 31, 2008, IBI Group had borrowings of \$9.6 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 March 31, 2008, 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.

## 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

	1st Qtr 2008 Unaudited	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
<b>Revenue (1)</b>	\$ 51,369	\$ 44,617	\$ 42,477	\$ 40,654	\$ 39,133	\$ 38,020	\$ 36,955	\$ 35,588
<b>Net Earnings</b>	4,306	3,110	3,893	5,566	3,498	2,217	3,102	2,839
Non-controlling interest	2,033	1,773	2,285	3,264	2,052	1,300	1,820	1,665
Interest	703	789	648	646	582	811	540	481
Income taxes	335	1,128	200	(3,017)	318	(261)	494	342
Amortization of property and equipment and intangible assets	1,839	1,432	1,347	1,358	1,237	2,846	1,427	1,525
Amortization of deferred credit - leases	(51)	(72)	(72)	(72)	(73)	(90)	(90)	(90)
<b>Earnings before income taxes, interest and amortization (EBITDA)</b>	9,165	8,161	8,301	7,745	7,614	6,823	7,293	6,762
EBITDA as a percentage of Revenue	17.	18.	19.	19.	19.	18.	19.	19.
<b>Distributable cash reconciliation</b>								
Cash flow from operating activities	(13,642)	8,201	2,628	2,993	(1,314)	6,361	2,556	(1,379)
Less capital expenditures	(1,147)	(551)	(795)	(848)	(1,394)	(684)	(534)	(842)
<b>Standardized distributable cash</b>	(14,789)	7,650	1,833	2,145	(2,708)	5,677	2,022	(2,221)
Add (deduct):								
Change in non-cash operating working capital	21,557	(1,774)	4,825	3,973	8,028	(386)	3,703	7,318
Current income tax expense	547	945	200	133	318	37	494	342
Income taxes paid	(794)	(192)	(253)	(109)	(148)	(561)	(314)	(613)
<b>Distributable cash</b>	6,521	6,629	6,605	6,142	5,490	4,767	5,905	4,826
Basic and diluted distributable cash per Unit	0.4160	0.4789	0.4859	0.4518	0.4039	0.3507	0.4344	0.3550
Basic and diluted aggregate distributions declared per Unit	0.3758	0.3625	0.3474	0.3400	0.3233	0.3150	0.3050	0.3000
Pay out ratio	90.3%	75.7%	71.5%	75.3%	80.1%	89.8%	70.2%	84.5%
Basic and diluted net earnings per Unit	0.4043	0.3527	0.4544	0.6496	0.4083	0.2588	0.3621	0.3313
Personnel – average	1,639	1,525	1,437	1,389	1,291	1,271	1,256	1,167
Personnel – quarter end	1,731	1,584	1,429	1,442	1,289	1,262	1,282	1,206

(1) 2007 Revenue has been adjusted to reflect a retrospective adjustment of direct project expenses in the facilities management practice. See note 3 to the interim consolidated financial statements for the three months ended March 31, 2008.

## **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 and expire on December 31, 2012. Effective January 1, 2008, IBI Group leased approximately 6,300 square feet of additional space under these leases at then current market rates, bringing the total annual lease payments under these leases to approximately \$2.4 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 three months ended March 31, 2008 was \$3.4 million compared with \$2.8 million in 2007. This increase reflects the growth in the number of partners within the Management Partnership from 53 in 2007 to 61 in 2008. 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 three months ended March 31, 2008 was \$0.2 million compared with \$0.2 million in 2007.

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 March 31, 2008, \$0.4 million had been realized and is shown on the Fund's balance sheet as a current liability.

## **Accounting Developments**

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 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 (v) 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 March 31, 2008 of 1,731 staff and revenue for the last twelve months of \$179.1 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 eight months 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 now including Florida as well. 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 within the range of terms as with those that IBI Group has completed its acquisitions to date. IBI has had a good start to the year 2008 with the acquisition/merger of Y + W and two smaller firms adding a further total of 131 People within the first

quarter. 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 continues to attract additional 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, including IBI involvement in a major 2,500 acre new town development. The 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; new contracts in landscape design and building architecture have been secured in this quarter.
- 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, (with new opportunities emerging in eastern 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 the USA. The slowdown in Florida had 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 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.