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, 2010. 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 21, 2011. Additional information that has been filed concerning the Fund, including the Fund's annual information form for the year ended December 31, 2010, is or will be available on SEDAR at www.sedar.com.

On January 1, 2011 the Fund converted from an income trust structure to a public corporation under a Plan of Arrangement between the Fund and IBI Group Inc. ("the Company"). Under the Plan of Arrangement, the Fund's Unitholders transferred their Fund Units to the Company for in exchange for Common Shares of the Company on a one-for-one basis. Accordingly, all former unitholders are now shareholders of the Company.

Business

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'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, Europe, Asia and the Middle East, as well as in other international centers.

Overview of the Fund

Prior to the conversion of the Fund to a corporate structure effective January 1, 2011, the Fund was 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 was entirely dependent upon the operations and assets of IBI Group in which it indirectly held 12,924,473 Class A partnership units, representing 72.0% 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 28.0% of the issued and outstanding Partnership Units of IBI Group. In addition, the Management Partnership held 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, were exchangeable into trust units ("Units") of the Fund on a one for one basis, subject to adjustment.

In addition to the Class B Units, the Management Partnership and IBI Group Investment Partnership, the partners of which are also partners of the Management Partnership or are controlled by a person who controls a partner of the Management Partnership, together held 3,227,050 Units of the Fund. These interests represented an interest of approximately 46% in the Fund on a partially diluted basis, assuming the exchange of the Class B Units for Units of the Fund. There were 12,924,473 Units issued and outstanding as at December 31, 2010 (17,950,251 Units issued and outstanding on a partially-diluted basis).

Conversion from an Income Trust to a Corporation

On October 31, 2006, the Minister of Finance (Canada) announced tax proposals (the "Proposal") concerning the taxation of most publicly traded income trusts and other flow-through entities (the "SIFT Rules"). The SIFT Rules were subsequently enacted. The SIFT Rules apply a tax on certain income (other than dividends and certain non-Canadian income directly received by the Fund) earned by a SIFT trust as defined in the Income Tax Act (Canada) (the "Tax Act"), and would treat the taxable distributions of such income received by Unitholders of a SIFT trust as "eligible dividends".

Pursuant to the SIFT Rules, the Fund would constitute a SIFT trust and, as a result, the SIFT Rules would be applicable to the Fund and its Unitholders. However, 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 would apply immediately in any taxation year ending after 2006 if the SIFT trust 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") as subsequently modified.

The Normal Growth Guidelines indicate that the Fund would not lose the benefit of the deferred application of the SIFT Rules to 2011 if the equity capital of the Fund did 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 exceeded 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 Fund's October 31, 2006 market capitalization was approximately $111 million.

The Fund stayed within the limits of the Normal Growth Guidelines and therefore was not subject to the SIFT Rules before January 1, 2011. On July 14, 2008, the Minister of Finance (Canada) released draft tax legislation that facilitates the conversion of income trusts into corporations on a tax-deferred basis. The legislation was enacted with minor modifications, on March 12, 2009. Subsequent to the passing of these rollover provisions, on June 21, 2010, the Fund announced its plan to convert to a dividend-paying corporation as of January 1, 2011 by

way of a court-approved Plan of Arrangement under the Canada Business Corporations Act (the "Arrangement"). Unitholder approval was received at a special meeting held August 5, 2010. The final order of the Ontario Superior Court of Justice with respect to the conversion was obtained August 10, 2010. The Arrangement took effect January 1, 2011 and resulted in the successful conversion of the Fund from an income trust to a corporate entity.

On January 1, 2011, the Fund completed the conversion from an income trust to a corporate structure by way of a court-approved Plan of Arrangement under the Canada Business Corporations Act (the "CBCA") on January 1, 2011 (the "Arrangement"). Pursuant to the Arrangement, holders of Fund Units received one Common Share of IBI Group Inc. ("the Company") for each Fund Unit held.

Following conversion, the basic structure of IBI Group, the entity carrying on the business of IBI, as a partnership with two partners has continued. As a result of the Arrangement, the Company, rather than the Fund, now indirectly holds all of the Class A partnership units of IBI Group and Management Partnership continues to hold all of the Class B partnership units of IBI Group, which are now exchangeable into common shares. The Company also holds the common shares of General Partner Co. and General Partner Trustee. The Company has assumed all obligations of the Fund with respect to the Fund's outstanding convertible debentures. The trustees of the Fund continued as directors of the Company.

The Company was incorporated pursuant to the provisions of the CBCA and did not carry on any active business prior to the Arrangement. The nature of the business and the Fund's financial condition are unaffected by the conversion to a corporation.

The common shares of IBI Group Inc. have been listed on the Toronto Stock Exchange from January 1, 2011, the effective date of the conversion, and commenced trading on the Exchange under the symbol "IBG" on January 4, 2011, at which time the units of the Fund were delisted.

The Company's dividend policy is to continue to be a relatively high distributor of cash earned.

Operating Highlights

2010 was a year of strong improved performance in most parameters for IBI Group, despite the challenging market environment. EBITDA and EBITDA as a percentage of Revenue and Distributable Cash improved each quarter throughout the year. The highlights are:

- Revenue at $290.4 million for the year ended December 31, 2010 was up $16.7 million compared with $273.7 million for the year ended December 31, 2009. Revenue for the fourth quarter of 2010 at $75.8 million, was up $7.6 million compared with the fourth quarter of 2009, up $7.7 million compared with the first quarter of 2010, up $6.0 million compared with the second quarter of 2010 and down $1.0 million compared the third quarter of 2010;

- EBITDA[1] of $42.7 million for the year ended December 31, 2010 was up $1.0 million compared with $41.7 million for the year ended December 31, 2009. EBITDA[1] for the fourth quarter of 2010 of $12.2 million was up $3.5 million compared with the fourth quarter of 2009, up $3.2 million compared with the first quarter of 2010, up $2.1 million compared with the second quarter of 2010 and $0.8 million above the third quarter of 2010;
- EBITDA[1] as a percentage of revenue for the year ended December 31, 2010 decreased to 14.7% from 15.2% for the year ended December 31, 2009. On a quarterly basis, EBITDA[1] as a percentage of revenue increased for the fourth consecutive quarter, to 16.1%, up from 12.7% in the fourth quarter of 2009, 13.3% from the first quarter of 2010, 14.5% in the second quarter and 14.8% in the third quarter;
- Distributable cash for the year ended December 31, 2010 of $28.4 million was down compared with distributable cash for the year ended December 31, 2009 of $30.3 million. Distributable cash[1] for the fourth quarter of 2010 of $7.3 million was up $2.7 million compared with the fourth quarter of 2009, up $1.0 million compared with the first quarter of 2010 down slightly compared with the second quarter of 2010 and $0.2 million below the third quarter of 2010; and
- The combined amount of working capital tied up in accounts receivable, work in process and deferred revenue rose throughout the period of the recession increasing from the equivalent of 180 working days in the fourth quarter of 2009 up to 195 days in second quarter of 2010. Significant progress has been made in reducing this working capital tied up with the reduction down to 178 days in third quarter of 2010 and now to 175 days as at December 31, 2010.

The basis of this performance is discussed in paragraphs below.

Revenue

IBI Group achieved a fee volume of $290.4 million, an increase of $16.7 million (6.1%) over 2009. Revenue from strategic growth through acquisitions/mergers was approximately $36.2 million of the increase for the year ended December 31, 2010, offset by a $7.7 million decline of organic revenue. Results were further impacted by the strengthening Canadian dollar in 2010 to the extent of an $11.8 million reduction in revenue. The average exchange rate in 2010 for the Canadian dollar relative to the US dollar was US$0.96 compared with US$0.87 during 2009. Without the impact of the strengthening Canadian dollar, revenue for 2010 would have been $11.8 million higher at $302.2 million.

Professional work for the Public sector, (Government Agencies and Public Institutions as direct or ultimate owners of projects) continued to constitute the majority of IBI Group's work and in this quarter again exceeded 67% of the $75.8 million of revenue.

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(1) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures.

Commitment of new work for IBI Group continued to increase during the fourth quarter, replacing the $75.8 million of work completed during the quarter and adding additional work for the future. Backlog for 2011 now continues to be in excess of nine months at the level of work that IBI Group has achieved for the second half of 2010. This backlog is based on a very wide range of substantial projects.

Strategic Program of Growth

At the end of the fourth quarter of 2010, IBI Group completed the acquisition and merger of CSM Engineering Ltd. ("CSM"), based in Fort McMurray, Alberta. CSM has been leading the civil engineering practice in the development of land and infrastructure in Fort McMurray, for over a decade. The acquisition will allow IBI Group and CSM to jointly continue the practice of civil engineering for land development and infrastructure in Fort McMurray and Northern Alberta. IBI Group believes that the professional engineering team of CSM integrated within the IBI Group will constitute an experienced and broadly based professional team to serve the continuing community and infrastructure needs in Fort McMurray, arising from the continuing developments of the oil sands. CSM and IBI Group have collaborated on projects previously, and are doing work in joint venture currently for mutual clients. This merging of the CSM professional engineering practise within IBI Group will facilitate a more comprehensive and effective service to clients. The merger with IBI Group will enable CSM to broaden and strengthen the talent and experience of CSM to undertake larger scale projects with more comprehensive services. It also opens broader horizons for the growth of the CSM professional team over the longer term within the IBI Group of Firms.

During the second quarter of 2010, IBI Group completed the acquisition of Nightingale Architects Ltd ("Nightingale"). Nightingale is a leading architectural practice, specialising in facilities for health care and for education and science. The practice has been in existence for over twenty years and has grown steadily to its current complement of 230 members operating in six offices in the UK, as well as an office in South Africa. Nightingale is a practice leader in social infrastructure in the UK, actively engaged in major building projects in that base of operation and other projects internationally including Eastern Europe, the Gulf, Australia and South Africa. The firm is an architect of choice of public agencies, as well as private development proponents/construction contractors for the delivery of health care facilities through private finance initiatives, public private partnerships and design build. These major private companies, operating in the UK, are also similarly engaged in other world markets affording Nightingale the opportunity to provide architectural services for these clients for projects elsewhere. The integration of the executive team of Nightingale is a strategic advancement in relation to three basic objectives of IBI Group: building the world platform of IBI Group, becoming a leader in world scale projects in health care and other areas of social infrastructure, and strengthening the business of IBI Group. In fact, as we approach the end of the fifth month of working together, joint efforts and business development initiatives targeting professional work opportunities are under way.

During the first quarter of 2010, IBI Group completed the acquisition of MAAK Technologies Inc. ("MAAK"). This firm's expertise in water engineering and systems applications extends IBI Group's work in systems technology to the important area of water

resources. It also broadens the IBI Group practice geographically with further strengthening in the Caribbean.

Subsequent to the year end, IBI Group completed the merger of the practice of Cardinal Hardy Architectes, (CHA) with Beinhaker Architecte within the IBI Group of firms in parallel, with the merger of the Company Groupe Cardinal Hardy Inc. (GCHI) directly within IBI Group. CHA is a full services architectural practice known for its outstanding design and technical work ranging from institutional projects in transportation, social infrastructure including building facilities in education and health, private development projects by leading developers in the Greater Montreal Region. The firm is also expert with an outstanding portfolio of work in urban design and landscape architecture.

Also subsequent to the year end in March 2011, IBI Group concluded arrangements for the merger / acquisition of Bay Architects Inc, (Bay) in Southeast Texas, based in Houston. Bay is an architectural firm that specializes in educational facilities, (schools and community colleges), along with other areas of architectural practice in civic, other institutional, retail, office and industrial facilities. Bay will be a further strategic component of the growing international practice of the IBI Group in education. Bay will also provide the strategic platform for IBI Group for growth in the large and prosperous State of Texas.

IBI Group continues to be committed to growth in the USA. Discussions are under way with a number of USA based firms in connection with potential acquisitions. These acquisitions could add further skills and strengthen IBI Group's presence in major centres of population in the six urban regions of the USA. IBI Group expects additional acquisitions to be concluded during 2011. As IBI Group has noted previously, the potential acquisitions are currently profitable. However, the firms being acquired may not be achieving the levels of profitability, under the current economic circumstances in the USA, that they have achieved in the past or levels that are equivalent to the performance of IBI Group. IBI Group continues to believe this is a sound investment program which will realize substantial results within the next few years, within an improved economic environment, strengthened by the synergy and global reach within IBI Group. In fact, IBI Group is currently experiencing an increase in demand for its services in the USA market.

IBI Group is also engaged in discussions with other firms for strategic relationships and acquisitions in international markets where IBI Group is currently active including; China, India and Eastern Europe.

Currency Gains/Losses

IBI Group continues to manage the US/Canadian currency fluctuations by means of an internal hedging arrangement using borrowings in US funds approximately equivalent to the US dollar accounts receivable in Canadian dollar functional entities to achieve an internal counter balancing effect.

For the year ended December 31, 2010 IBI Group experienced a $0.3 million foreign exchange loss. Management continually monitors the levels of foreign currency assets and liabilities to ensure that there is not an imbalance which could cause exposure due to fluctuations

in the foreign currencies. Fluctuations in the currency do however have an impact on the revenue and expenses of operations outside of Canada. The impact of this for 2010 was a reduction in revenue of $11.8 million as well as corresponding expenses as outlined in the discussion on revenue.

Major Projects

IBI has successfully expanded its capability and size, notwithstanding the pressures during the period of the recent recession. Notable areas of expansion of capability include the growth in the architecture of social infrastructure, including both health and educational facilities. IBI has also expanded the application of its capability in intelligent systems from transportation and communications to other applications including management of building systems, energy systems in water distribution and other significant applications that have applicability to metropolitan urban regions across the world. IBI has grown in numbers of people reflecting the growth and revenue and now comprises some 2,650 members of the firm.

With this growth in personnel and professional excellence, IBI increasingly is awarded leading professional and managerial roles for proponents and owners of development projects. These include major projects in social infrastructure such as the McGill University Medical Centre in Montreal; major transportation projects in transit facilities, as well as increasingly in the highway/road modes; the comprehensive provision of intelligent systems based on IBI software, integration of hardware, and the delivery of complete systems including ongoing operations; and now with a turn in certain private property markets, the leadership of major real property developments in Canada, Eastern Europe and Asia. The progress of the firm in extending the excellence of its professional capability and the breadth and depth of resources provides an increasingly effective platform for IBI as a significant participant in the design of physical aspects of urbanisation across the world with IBI's global experience complemented by IBI's established physical and operating presence in communities throughout the world.

Other Professional Progress

Other progress in the professional work of IBI Group in 2010 included:

- Continuing work on a suite of tolling and traffic management projects in Greece which have withstood the financial challenges with respect to the relatively large debt of that country;
- Continued further work in the growing health care practice of IBI Group; which has very significantly increased opportunities arising from the Nightingale merger. IBI Group and Nightingale are now engaged in healthcare projects in Canada, the UK, Eastern Europe, Australia, and on existing work with increased business development opportunities in these jurisdictions along with others including China and India. Work continues on the McGill University Health Centre and Women's College Hospital in Toronto (both confirmed in 2010);
- Further increase in the private sector assignments for building design, particularly in the residential sector across Canada;
- Continued growth of the IBI practice in China;

- Further progress in the development of the practice in India with various new private sector assignments;
- Further strengthening of activity in the Saudi Arabia Kingdom and Emirates;
- The opening of IBI offices in Eastern Europe; and
- The establishment of the IBI presence in Texas

The scope of these efforts is validation of IBI Group's integrated operating model of providing comprehensive professional services to clients in Canada, the USA and abroad.

Outlook

IBI Group commenced its professional practice in November 1974. The vision that IBI Group had at the time and continues to pursue is the establishment of a comprehensive practice for the planning/design of urban environments including the transportation infrastructure, urban built form and facilities in major urban regions throughout the world. Urbanization, which is the clustering of population in urban environments, is a continuing phenomena in the growing as well as the mature economies of the world. With the growth and intensification within urban areas, there is growing demand for the services of IBI Group in its four main areas of practice, being the planning and design of urban land, building facilities, transportation networks and system technology.

The initial practice of IBI Group was exclusively Canadian based primarily in Toronto. IBI Group extended its practice across Canada in the 1970's, established bases of operations in the United States in the 1980's, extended into Europe in the 1990's and into Asia in 2000. From 1974 through to 2000, all of the growth within IBI Group was organic growth within the firm. In 2000, IBI Group established the target of extending its practice to operate effectively in the rapidly growing economies in Asia and elsewhere throughout the world on a global scale. In order to achieve global scale, IBI Group decided to consider strategic growth for the acquisition and integration of firms within IBI Group. By 2004 IBI Group had acquired five firms and had proven its ability to successfully integrate leadership and practices within IBI Group.

In 2004, IBI Group embarked on a program of intensifying the strategic growth through acquisition, integration and consolidation, while maintaining organic growth. Equity required for this strategic growth was obtained by the IBI Group Management Partnership entering into a partnership with outside investors through the Initial Public Offering (IPO), completed on August 31, 2004. Since that time IBI Group has successfully grown from a staff of approximately 770 people and approximately $89.0 million in annual revenue to the current level at December 31, 2010 of 2,484 staff and annual revenue of $290.4 million.

During this period of growth from 1974 to 2010, IBI Group has experienced recessions that included: the severe recession in North America in the mid 1970's when IBI Group commenced its operations; the recession of the early 1980's; the more severe slowdown of the first half of the 1990's; the demise of the Dot Com bubble and the impact of 9/11 in the early decade of 2000. During these past 36 years, IBI Group continued to grow from its initial group of 30 people through to the current level of 2,484. Each of these recessions presented particular challenges, as does this current recession continuing through 2010.

The IBI Group operating structure, model and seasoned, experienced leadership which provided the motivation and discipline in the management of growth over the past 36 years, equally provides the experience of managing in the context of recessionary times such as the current financing and economic challenges. Accordingly, IBI Group continues to be confident in its ability to achieve a program of continuing to build with successful financial results, the global practice in the comprehensive planning/design of urban environments, including infrastructure, urban and facilities development. This confidence is based on the following factors:

- IBI Group has shown improved performance each successive quarter this year over the preceding quarter with EBITDA and EBITDA as a percentage of revenue growing to $12.2 million and 16.1% respectively in the fourth quarter of 2010 from $8.7 million and 12.7% in the fourth quarter of 2009. Revenue is up $7.6 million for the fourth quarter of 2010, over the fourth quarter of 2009;
- Committed fee volume for the year 2011 represents over nine months equivalent of work, based on the greater pace that IBI Group has achieved for the second half of 2010. Backlog for Government and public institutional clients is now in excess of 67% of total backlog. Backlog is continuing to increase in building facility areas in health care, education, in transportation terminals, transportation networks and intelligent systems. IBI Group is increasingly receiving new mandates in the design stage of new private sector projects, as well as some of these now moving into design development and working drawings as projects proceed to sales;
- IBI Group committed backlog is approximately 14% of fee volume for projects outside of North America and 24% for the United States and 62% in Canada, the percentage in international has increased with the Nightingale purchase and in Canada had increased with the significant and new major assignments in health care discussed above; and
- IBI Group is achieving progress with the integration of MAAK and Nightingale in 2010 and further integration of the firms acquired through 2009.

IBI Group is in various stages of negotiation with a number of firms who could add further strength to the IBI Group program in the USA, Canada, and outside North America.

Accordingly, the outlook for IBI Group for 2011 continues to be very encouraging:

- Commitment of new work for IBI Group continued to increase during the final quarter of 2010, replacing the $75.8 million of work completed during the quarter and adding the additional work for the future. Backlog for the next twelve months now continues as reported in the last quarter in excess of nine months at the greater pace that IBI Group is achieving for the second half of 2010. This backlog is based on a very wide range of substantial projects;
- The current staff complement is appropriately sized for the backlog of ongoing committed work at the professional standards of the firm, with capacity to handle the work from the significant projects that IBI Group is awaiting full authorization to proceed. Failing the authorization in the ensuing few months, IBI Group will adjust staffing levels as necessary;

- Further acquisitions have been achieved and a number of new opportunities are in the final negotiation stage, as well as in the exploratory stage;
- IBI Group Inc. completed a convertible debenture offering which has significantly improved the balance sheet and operating flexibility of IBI Group; and
- IBI Group's lenders continue to be very supportive of IBI Group efforts.

Selected Consolidated Financial Information

in thousands of dollars except for per Unit amounts	Three months ended December 31, 2010 Unaudited	Three months ended December 31, 2009 Unaudited	Year ended December 31, 2010	Year ended December 31, 2009
Revenue	$ 75,763	$ 68,194	$ 290,398	$ 273,673
Expenses				
Salaries, fees and employee benefits	48,472	44,822	193,956	179,803
Other operating costs (other than interest)	15,686	14,734	54,339	49,395
Gain on disposal of assets	-	(594)	-	(594)
Change in fair value of derivatives	(814)	-	(814)	-
Foreign exchange loss	250	539	264	3,378
	63,594	59,501	247,745	231,982
Earnings before income taxes, interest and amortization (EBITDA[2])	12,169	8,693	42,653	41,691
Interest	2,995	2,605	10,488	7,139
Income taxes - current	(377)	(780)	3,271	4,017
Income taxes - future	(782)	842	(2,063)	(605)
Amortization of property and equipment and intangible assets	2,623	3,001	11,125	12,669
Impairment of goodwill and intangibles	-	3,039	-	3,039
Purchase price adjustment	-	2,346	-	2,346
Net earnings (loss) before non-controlling interest	$ 7,710	$ (2,360)	$ 19,832	$ 13,086
Non-controlling interest	2,160	(667)	5,572	3,917
Net earnings (loss)	$ 5,550	$ (1,693)	$ 14,260	$ 9,169
Basic and diluted net earnings (loss) per Unit	$ 0.4299	$ (0.1329)	$ 1.1098	$ 0.7568
Total assets	$ 444,713	$ 416,560	$ 444,713	$ 416,560

(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) See “Definition of EBITDA, Distributable Cash and Non-GAAP Measures”

Results of Operations

The professional services provided by the Fund, focused on the four main areas of the physical development of cities and comprise the core business of the Fund.

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, 2010, revenue was up $16.7 million (6.1%) to $290.4 million compared to $273.7 million for the year ended December 31, 2009. For the three months ended December 31, 2010, revenue was up $7.6 million (11.1%) to $75.8 million compared to $68.2 million for the three months ended December 31, 2009.

The following table summarizes the impact the strategic growth through acquisition, the organic growth and the impact of the foreign exchange rates on net revenue for both the three months and year ended December 31, 2010.

	Three months ended December 31, 2010 vs. 2009		Year ended December 31, 2010 vs. 2009	
	$ million's	%	$ million's	%
Acquisition growth	8.9	13.1	36.2	13.2
Organic growth	(0.1)	(0.1)	(7.7)	(2.8)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(1.2)	(1.9)	(11.8)	(4.3)
Total increase in revenue	7.6	11.1	16.7	6.1

Revenue from strategic growth through acquisitions/mergers was approximately $36.2 million of the increase for the year ended December 31, 2010, offset by a $7.7 million decline of organic revenue. Results were further impacted by the strengthening Canadian dollar in 2010 to the extent of an $11.8 million reduction in revenue. The average exchange rate in 2010 for the Canadian dollar relative to the US dollar was US$0.96 compared with US$0.87 during 2009. For three months ended December 31, 2010, the increase in strategic growth was $8.9 million and there was a decline in organic revenue of was $0.1 million. These were partially offset by a $1.2 million foreign exchange impact.

The overall growth in activity was accomplished through an 8.9% increase in the average number of staff from 2,202 during 2009 to 2,399 during 2010. The number of staff as of December 31, 2010 was 2,484, up from 2,230 as of December 31, 2009.

Expenses

Salaries, fees and employee benefits for the year ended December 31, 2010 were up $14.2 million (7.9%) to $194.0 million compared with $179.8 million for the year ended December 31, 2009. For the three months ended December 31, 2010, salaries, fees and employee benefits were up $3.7 million (8.1%) to $48.5 million compared with $44.8 million for the three months ended December 31, 2009. 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, 2010 were 66.8% compared with 65.7% for the year ended December 31,

2009, and for the three months ended December 31, 2010 were 64.0% compared with 65.7% the three months ended December 31, 2009. The percentage for 2010 was higher than that of 2009; however it improved over the second half of the year as staff utilization improved as can be seen with the percentage in the fourth quarter of 2010.

Other cash operating costs (other than interest) for the year ended December 31, 2010 were up $4.9 million (10%) to $54.3 million compared with $49.4 million for the year ended December 31, 2009. For the three months ended December 31, 2010, other cash operating costs (other than interest) were up $1.0 million (6.5%) to $15.7 million compared with $14.7 million for the three months ended December 31, 2009. As a percentage of revenue, other operating costs (other than interest) for the year ended December 31, 2010 were 18.7% compared with 18.0% for year ended December 31, 2009, and for the three months ended December 31, 2010 were 20.7% compared with 21.6% for the three months ended December 31, 2009.

Foreign exchange loss (gain) for the year ended December 31, 2010 was a loss of $0.3 million compared with a loss of $3.4 million for the year ended December 31, 2009. For the three months ended December 31, 2010, there was a foreign exchange loss of $0.3 million compared to a loss of $0.5 million for the three months ended December 31, 2009. These foreign exchange losses arose on the translation of the foreign-denominated assets and liabilities held in the Fund's Canadian subsidiaries. The Fund works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the year ended December 31, 2010 was down $1.5 million to $11.1 million compared with $12.7 million for the year ended December 31, 2009. For the three months ended December 31, 2010, amortization was $2.6 million, which was down $0.4 million from the $3.0 million for the three months ended December 31, 2009. Amortization for the year ended December 31, 2010 on client relationships, contracts and non-competition provisions was $7.4 million compared with $8.8 million for the year ended December 31, 2009. For the three months ended December 31, 2010, amortization expense includes $1.6 million of amortization expense on client relationships, contracts and non-competition provisions compared with $1.8 million for the three months ended December 31, 2009.

Impairment of goodwill and intangibles – During the fourth quarter of 2010, the Fund conducted the annual goodwill impairment test. Goodwill impairment testing is a two-step process. In the first step, the fair value of our reporting units was compared to their carrying value. If the carrying value of our reporting units exceeds their fair value, goodwill is potentially impaired and step two of the impairment test must be performed. In step two, the estimated fair value of the goodwill of the reporting units is compared to the carrying value. If it is concluded that an impairment of goodwill exists, a reduction in the carrying value of goodwill is recorded on the consolidated balance sheets and recognized as a non-cash charge to income.

The testing in 2010 concluded that there was no impairment in value of the goodwill and intangibles. This compares with an impairment charge of $3.0 million recorded in 2009.

Income taxes of the Fund for the year ended December 31, 2010, were an expense of $1.2 million compared with of $3.4 million for the year ended December 31, 2009. For the three months ended December 31, 2010, income taxes recoverable were a credit of $1.2 million

compared with an expense of $0.1 million for the three months ended December 31, 2009. Current tax expense for the year ended December 31, 2010 was down $0.7 million to $3.3 million, compared with $4.0 million for the year ended December 31, 2009. This decrease was due to the reduction in net income in taxable entities.

Net earnings before non-controlling interest of the Fund for the year ended December 31, 2010 were $19.8 million, or $1.1098 per Unit (on a fully diluted basis) compared with $13.1 million or $0.7568 per Unit (on a fully diluted basis) for the year ended December 31, 2009. For the three months ended December 31, 2010, net earnings before non-controlling interest was $7.7 million or $0.4299 per Unit (on a fully diluted basis) compared with a net loss of $2.4 million or $0.1329 per Unit (on a fully diluted basis) for the three months ended December 31, 2009. As a percentage of revenue, net earnings before non-controlling interest were 6.8% for the year ended December 31, 2010, compared with 4.8% for the year ended December 31, 2009.

EBITDA[1] for the year ended December 31, 2010 was up $1.0 million (2.3%) to $42.7 million compared with $41.7 million for the year ended December 31, 2009. For the three months ended December 31, 2010, EBITDA[1] was $12.2 million, up $3.5 million (40.0%) from $8.7 million for the three months ended December 31, 2009. As a percentage of revenue, EBITDA[1] for the year ended December 31, 2010 was 14.7% compared with 15.2% for the year ended December 31, 2009. For the three months ended December 31, 2010, EBITDA[1] was 16.1% as a percentage of revenue compared with 12.7% for the three months ended December 31, 2009.

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(1) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures"

Distributable Cash[2]

in thousands of dollars except for per Unit amounts	Three months ended December 31, 2010 Unaudited	Three months ended December 31, 2009 Unaudited	Year ended December 31, 2010	Year ended December 31, 2009
Cash flow from operating activities	$ 9,060	$ (6,070)	$ 13,812	$ (6,606)
Less capital expenditures	(431)	(526)	(2,271)	(1,804)
Standardized distributable cash	$ 8,629	$ (6,596)	$ 11,541	$ (8,410)
Add (deduct):				
Change in non-cash operating working capital	(211)	12,938	14,659	37,141
Current income tax expense	(377)	(780)	3,271	4,017
Income taxes paid	(744)	(986)	(1,040)	(2,495)
Distributable cash (2)	$ 7,297	$ 4,576	$ 28,431	$ 30,253
Weighted average basic and diluted distributable cash per Unit (1)	$ 0.4068	$ 0.2576	$ 1.5906	$ 1.7726
Aggregate distributions declared	$ 7,172	$ 7,105	$ 28,595	$ 27,558
Basic and diluted aggregate distributions declared per Unit (1)	$ 0.3999	$ 0.3999	$ 1.5997	$ 1.5997
Payout ratio	98.3%	155.3%	100.6%	90.2%

(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) See “Definition of EBITDA, Distributable Cash and Non-GAAP Measures”

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, 2010, the Fund generated $28.4 million of Distributable Cash, down $1.9 million (6.3%) compared with $30.3 million for the year ended December 31, 2009. For the three months ended December 31, 2010, the Fund generated $7.3 million of Distributable Cash, up $2.7 million (59.5%) compared with $4.6 million for the three months December 31, 2009. On a per Unit basis, based on the weighted average number of Units outstanding, Distributable Cash was $1.5906 for the year ended December 31, 2010; a decrease of $0.1820 compared with $1.7726 for the year ended December 31, 2009. This represents a payout ratio of 100.6% for the year ended December 31, 2010, compared with 90.2% for the year ended December 31, 2009.

On January 21, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at January 31, 2011, which was paid on February 28, 2011. In addition, on the same date, IBI Group declared a distribution on a before tax basis of $0.1333 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at January 31, which was paid on February 28, 2011. This before tax distribution is equivalent to the after tax dividend amount to each shareholder of record of IBI Group Inc. The holders of the Class B Partnership units of record will be personally responsible for the payment of the taxes on

this pre-tax distribution equivalent to the post tax dividend. The post tax cash requirement for these dividends and distributions is $1.9 million.

On February 17, 2011, a dividend of $0.092 per Share was declared to each Shareholder of the Company on record at February 28, which is payable on March 31, 2011. In addition, on the same date IBI Group declared a distribution on a before tax basis of $0.1333 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at which is payable on March 31, 2011. This before tax distribution is equivalent to the after tax dividend amount to each shareholder of record of IBI Group Inc. The holders of the Class B Partnership units of record will be personally responsible for the payment of the taxes on this pre-tax distribution equivalent to the post tax dividend. The post tax cash requirement for these distributions is $1.9 million.

Liquidity and Capital Resources

The following table represents the working capital information as at December 31, 2010 compared to December 31, 2009:

in thousands of dollars	December 31, 2010	December 31, 2009	$ Change
Current assets	234,996	220,674	14,322
Current liabilities	(142,110)	(120,271)	(21,839)
Working capital	92,886	100,403	(7,517)

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	2010	2009	$ Change
Cash flows from operating activities	13,812	(9,454)	23,266
Cash flows from financing activities	5,490	15,064	(9,574)
Cash flows used in investing activities	(19,340)	(4,251)	(15,089)

Current assets have increased by $14.3 million as at December 31, 2010 as compared with December 31, 2009. This is the result of the increase in accounts receivable and work in process, which together are up $17.0 million, which includes $10.2 million attributable to the acquisitions made during 2010. Accounts receivable and work in process as at December 31, 2010 improved in relation to the net revenue compared with September 30, 2010 and December 31, 2009. Current liabilities have increased $21.8 million as at December 31, 2010 as compared with December 31, 2009. The increase in current liabilities was the result of the advances made by the Management Partnership in the first quarter of 2010 in the amount of $26.0 million, which was offset by a $0.8 million reduction in accounts payable and accrued liabilities.

The combined amount of working capital tied up in accounts receivable, work in process and deferred revenue rose throughout the period of the recession increasing from the equivalent of 180 working days in the fourth quarter of 2009 up to 195 days in second quarter of 2010. Significant progress has been made in reducing this working capital tied up with the reduction down to 178 days in third quarter of 2010 and now to 175 days as at December 31, 2010. IBI Group continues its efforts to achieve further reductions in working capital tied up in accounts receivable, work in process and deferred revenue with the target being to reach some 140 days in 2012.

Working days of revenue outstanding	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Accounts receivable	114	110	117	114	111
Work in process	78	86	90	75	75
Deferred revenue	(12)	(11)	(12)	(11)	(11)
Total	180	185	195	178	175

Cash flows from operating activities for the year ended December 31, 2010 were up $23.3 million to $13.8 million compared to cash used in operating activities of $9.5 million for the year ended December 31, 2009. This improvement over 2009 was the result of the decline in non-cash operating working capital, which was $37.1 million and declined to $14.7 million in 2010.

Cash flows from financing activities for the year ended December 31, 2010, were down $9.6 million to $5.5 million compared with $15.1 million for the year ended December 31, 2009. During 2009, the Fund's financing activities included additional term debt of $5.1 million together with the issuance of equity and convertible debentures in the amount of $58.0 million, of which the proceeds were used to pay down notes payable in the amount of $19.9 million. In addition, distributions of $28.1 million were paid. This resulted in net cash provided from financing activities of $15.1 million. During 2010, Fund's financing activities included additional term debt of $1.2 million, net advances from Management Partnership of $25.5 million together with the issuance of convertible debentures in the amount of $18.9 million, of which the proceeds were used to pay down notes payable in the amount of $11.6 million. In addition, distributions of $28.6 million were paid. This resulted in net cash provided from financing activities of $5.5 million.

Cash flows used in investing activities for the year ended December 31, 2010 related to the payments made on the closing of the acquisitions during 2010 as well as on capital assets. Capital expenditures during the year ended December 31, 2010 were up $0.5 million to $2.3 million compared with $1.8 million for the year ended December 31, 2009. Cash payments on acquisitions during the year ended December 31, 2010 increased by $11.5 million to $17.1 million compared with $5.6 million for the year ended December 31, 2009.

IBI Group has credit facilities totalling $150.0 million, consisting of a $10.0 million swing facility (the "Swing Facility"), an $80.0 million term facility (the "Term Facility"), and a $60.0 million revolver facility (the "Revolver 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 credit facilities mature on August 31, 2012.

The Swing Facility and the Revolver Facility are revolving facilities to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at December 31, 2010, IBI Group had borrowings of $4.7 million under the Swing Facility and $30.0 million of borrowings under the Revolver Facility, compared with $6.4 million under the Swing Facility and $25.9 million of borrowings under the Revolver Facility as at December 31, 2009.

The Term Facility is a non-revolving facility to be used by IBI Group to repay existing Debt to the lender. As at December 31, 2010, IBI Group had borrowings of $48.9 million (December 31, 2009 – $50.0 million) under the Term Facility.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 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. As at December 31, 2010, IBI Group had issued bid bonds in the amount of $9.3 million (December 31, 2009 – $5.8 million) under the Bid Bond Facility.

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

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

The Fund seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. The Fund has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Fund will then raise equity through a public offering, using the proceeds to reduce the bank debt. During the year, the Fund issued $20.0 million of convertible debentures and issued $1.0 million of equity for the acquisition of MAAK.

The Fund is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio, payout ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of

the debt obligation. As at December 31, 2010, the Fund was in compliance with all covenants under its credit facilities

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	60,293	18,067	27,044	9,977	5,205
Notes payable	13,830	11,046	2,784	-	-
Term debt	83,515	34,650	48,865	-	-
Convertible debentures	66,000	-	-	46,000	20,000
Total	223,638	63,763	78,693	55,977	25,205

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.

$000's except for per Unit amounts	4th Qtr 2010 Unaudited	3rd Qtr 2010 Unaudited	2nd Qtr 2010 Unaudited	1st Qtr 2010 Unaudited	4th Qtr 2009 Unaudited	3rd Qtr 2009 Unaudited	2nd Qtr 2009 Unaudited	1st Qtr 2009 Unaudited
Revenue	$ 75,763	$ 76,770	$ 69,790	$ 68,075	$ 68,194	$ 68,783	$ 71,032	$ 65,664
Net Earnings (Loss)	5,550	3,202	2,662	2,847	(1,693)	3,693	3,979	3,189
Non-controlling interest	2,160	1,249	1,044	1,119	(667)	1,466	1,699	1,419
Interest	2,995	2,817	2,446	2,231	2,605	1,900	1,451	1,183
Income taxes (recoverable)	(1,159)	1,230	1,006	131	62	1,166	1,716	468
Amortization of property and equipment and intangible assets	2,623	2,874	2,930	2,697	3,001	3,552	3,104	3,012
Impairment of goodwill and intangibles	-	-	-	-	3,039	-	-	-
Purchase price adjustment	-	-	-	-	2,346	-	-	-
Earnings before income taxes, interest and amortization (EBITDA)	12,169	11,372	10,088	9,025	8,693	11,777	11,949	9,271
EBITDA as a percentage of Revenue	16.1%	14.8%	14.5%	13.3%	12.7%	17.1%	16.8%	14.1%
Distributable Cash reconciliation								
Cash flow from (used in) operating activities	9,060	3,376	6,316	(4,940)	(6,070)	1,361	(520)	(1,378)
Less capital expenditures	(431)	(515)	(865)	(460)	(526)	(395)	(413)	(470)
Standardized Distributable Cash	8,629	2,861	5,451	(5,400)	(6,596)	966	(933)	(1,848)
Add (deduct):								
Change in non-cash operating working capital	(211)	3,209	223	11,438	12,938	6,891	8,796	8,516
Current income tax expense	(377)	2,089	1,209	350	(780)	1,625	2,222	950
Income taxes (paid) recovered	(744)	(632)	459	(123)	(986)	(868)	62	(703)
Distributable Cash	7,297	7,527	7,342	6,265	4,576	8,614	10,147	6,915
Basic and diluted Distributable Cash per Unit	0.4068	0.4202	0.4114	0.3518	0.2576	0.4872	0.6040	0.4237
Basic and diluted aggregate distributions declared per Unit	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999
Payout ratio	98.3%	95.2%	97.2%	113.4%	155.3%	82.1%	66.2%	94.4%
Basic and diluted net earnings (loss) per Unit	0.4299	0.2440	0.2076	0.2228	(0.1329)	0.2918	0.3380	0.2824
Personnel – average	2,502	2,558	2,333	2,235	2,237	2,227	2,152	2,184
Personnel – quarter end	2,484	2,534	2,547	2,252	2,230	2,242	2,212	2,107

Transactions with Related Parties

Prior to March 11, 2010, IBI Group leased its Toronto office space from a corporation which is indirectly owned by the partners of the Management Partnership which owns all of the Class B partnership units of IBI Group, representing 28.0% of the outstanding partnership units of IBI Group, and with its affiliate partnership's share in the indirect interest of the Fund holds a combined 46% interest (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 April 1, 2009, IBI Group leased approximately 14,200 square feet of additional space under these leases at then current market rates, bringing the total annual lease payments under these leases to approximately $2.8 million. On March 11, 2010, the buildings were sold to an outside party. As a result of this transaction, IBI Group extending its lease until December 31, 2013 and maintained the current market rental rates that it had been paying for premises. The total payment under the leases up to March 11, 2010 was approximately $486,000 as compared to $406,000 up to March 11, 2009.

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, 2010 was $17.7 million compared with $15.4 million in 2009.

In the first quarter of 2010, Management Partnership advanced $26.0 million to IBI Group. The loan bears 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 are subordinated to the Fund's indebtedness to its bank lender and are unsecured. The loans are to mature two years following the original issuance of the promissory note evidencing the loan. In February 2011, IBI Group repaid $6.0 million of the advance.

Subsequent Transactions

On January 1, 2011, the Fund completed the conversion from an income trust structure to a publicly traded corporate entity. Under the terms of the Arrangement, all of the outstanding trust units of the Fund were exchanged for common shares of the Company on the basis of one common share for each unit of the Fund. The Company has also assumed all obligations of the Fund with respect to the Fund's outstanding convertible debentures. The trustees of the Fund will continue as directors of the Company.

Common shares of the Company commenced trading on the TSX under the symbol "IBG" on January 4, 2011, at which time the units of the Fund were delisted. Following conversion, the basic structure of IBI Group, the entity carrying on the business of IBI, as a partnership with two partners will continue. The Company, rather than the Fund, holds all of the Class A partnership units of IBI Group and IBI Group Management Partnership continues to hold all of the Class B partnership units of IBI Group.

In conjunction with the prospectus offering that closed January 28, 2011, the Company issued convertible redeemable 6.0% debentures ("6.0% Debentures") due June 30, 2018 totalling $57,500. Interest is payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The 6.0% Debentures will be convertible into common shares of the Company at the option of the holder at a conversion price of $21.00 per share. The 6.0% Debentures will be redeemable by the Company at a price of $1,000 per 6.0% Debenture, plus accrued and unpaid interest, on or after June 30, 2014 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2016, the weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price of $21.00).

On January 24, 2011, IBI Group completed the merger of the practice of Cardinal Hardy Architectes, ("CHA") with Beinhaker Architecte within the IBI Group of firms. In parallel, the Company Groupe Cardinal Hardy Inc. has merged directly within IBI Group. CHA is a full services architectural practice known for its outstanding design and technical work ranging from institutional projects in transportation, social infrastructure including building facilities in education and health, private development projects by leading developers in the Greater Montreal Region. The firm is also expert with an outstanding portfolio of work in urban design and landscape architecture.

In March 2011, IBI Group concluded arrangements for the merger / acquisition of Bay Architects Inc, ("Bay") in Houston, Texas. Bay is an architectural firm that specializes in educational facilities, (schools and community colleges), along with other areas of architectural practice in civic, other institutional, retail, office and industrial facilities. Bay will be a further strategic component of the growing international practice of the IBI Group in education. Bay will also provide the strategic platform for IBI Group for growth in the large and prosperous State of Texas.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As required by Multilateral Instrument 52-109, the Company'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 Company, together with management of the Fund and the Company have evaluated the effectiveness of the Fund's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") with the exception of controls which were not evaluated related to MAAK, Nightingale, and CSM acquired during 2010 (collectively the "2010 acquisitions"). Of those acquisitions, MAAK and Nightingale are consolidated within the results of the Fund as of December 31, 2010 as the effective date of the purchase of CSM is December 31, 2010. The 2010 acquisitions represent consolidated net assets of $2.5 million and contributing net earnings before taxes of $4.0 million. 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 principles. 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 CEO and CFO of the Fund, together with management are collectively satisfied that, with the exception of controls related to the 2010 acquisitions and consolidated within the results of the Fund as of December 31, 2010, the Fund's DC&P and ICFR were adequate and effective.

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 collectability 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.

Property, Equipment and Intangibles - Long-lived and intangible assets comprise property and equipment, 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 to five years for non-competition provisions and eight to ten years for client relationships.

The Fund regularly reviews long-lived assets and intangible assets with finite lives when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The determination of recoverability is based on an estimate of undiscounted future cash flows, and the measurement of impairment loss is based on the fair value of the asset. To determine recoverability, we compare the estimated undiscounted future cash flows projected to be generated by these assets to their respective carrying value. In performing this analysis, we make estimates or assumptions about factors such as current and future contracts with clients, margins, market conditions, and the useful lives of assets. If our estimates or assumptions change from those used in our current analysis, we may be required to recognize an impairment loss in future periods, which would decrease our long-lived and intangible assets and increase our reported expenses.

Financial Instruments - The Fund uses interest rate swaps to hedge interest rate exposures on the term credit facility. The Fund’s objective is to offset gains and losses resulting from interest rate exposure with losses and gains on the derivative contracts used to hedge it. The Fund does not use derivative contracts for speculative purposes. To qualify as a hedge, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, which includes the item and risk being hedged, as well as how effectiveness is assessed. The derivative used must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. If a hedge relationship is found to be ineffective, it no longer qualifies as a hedge and any excess gain or loss attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized in the results.

The Fund has designated its interest rate swap on its variable interest term credit facility as a hedge against fluctuations in interest expense due to changes in the interest rate. Accordingly, the fair value of this financial instrument and any changes thereto are recorded in the consolidated financial statements. These derivatives are marked-to-market at each period end and resulting gains or losses are recognized in comprehensive (loss) income to the extent the hedging relationship is effective. In 2009, the interest rate swap agreements were designated as cash flow hedges, and therefore any unrealized gains or losses are recorded in other comprehensive income. For the year ended 2010, the interest rate swap agreements are no longer

designated as cash flow hedges and are treated as derivative instruments, therefore any unrealized gain or loss is included in net earnings or loss.

Accounting Developments

Recently issued but not yet adopted accounting pronouncements:

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

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175"). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor with arrangements under which it will perform multiple revenue-generating activities. The new standard is effective for the Fund's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year.

In February 2008, the CICA announced that Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") for the fiscal years beginning on or after January 1, 2011. The Fund will issue its financial statements for the first quarter of 2011 in accordance with IFRS, including comparatives for 2010. As a result of this conversion to IFRS, early adoption of the above issued Canadian GAAP standards was not implemented commencing January 1, 2011.

International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that publicly accountable entities are required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for periods beginning on or after January 1, 2011. The Fund's project plan for implementing IFRS consists of four phases (initial scoping and planning, detailed assessment, design, and implementation) and is designed to address:

- Changes to accounting policies and disclosure requirements;
- Changes to information systems and business processes;

- Changes to internal control over financial reporting and disclosure controls and procedures; and
- Training requirements and communications.

At the date of preparing this MD&A, the Fund has met the key objectives of the project plan and has substantially completed the process of transitioning from current GAAP to IFRS. The Fund engaged a third-party service provider to provide the necessary software and assist with the completion of all elements of the project plan.

The initial scoping and planning phase of the project plan involved the identification of the key differences between IFRS and Canadian GAAP, and an assessment of the exemptions and elections available upon transition under IFRS 1, *First-time Adoption of International Reporting Standards*. As at the date of preparing this MD&A, this phase is complete.

The detailed assessment phase of the project plan consisted of an assessment of the key differences identified in scoping and planning to determine the anticipated impact of these differences. This phase of the implementation process involved:

- Finalizing the impact of those key accounting differences identified in phase one, and of the IFRS 1 exemptions and elections to be taken;
- Assessing the Fund's current information systems environment and accounting processes to identify where changes are needed in order to support the transition to IFRS; and
- Finalizing accounting and policy disclosure choices required under IFRS.

As at the date of preparing this MD&A, this phase is complete.

The Fund has performed the following activities to complete the design phase:

- Designing and implementing business and accounting processes that will facilitate the collection of data required in a timely and accurate manner; and
- Designing and implementing internal controls required by the new business and accounting processes.

As at the date of preparing this MD&A, this phase is complete.

The fourth and final phase, implementation, commenced on January 1, 2011 with the adoption of IFRS and is expected to be completed by the first quarter of 2011. In this phase, all new policies, processes, and controls will be implemented and monitored to ensure efficient and effective delivery. The impact of the conversion on the accounting systems is minimal. Given the differences outlined below, the Fund is of the view that its systems can accommodate the changes required by IFRS. In addition, internal control processes as currently designed has not necessitated significant modifications as a result of the conversion to IFRS.

First-time Adoption of International Financial Reporting Standards

IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") sets forth guidance for the initial adoption of IFRS. The conversion to IFRS will impact the way the Fund reports its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the period ended March 31, 2011) requires the Fund to restate its comparative 2010 financial statements for annual and interim periods to be in accordance with IFRS. The Fund will also reconcile equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts. Numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies will accompany the reconciliations.

IFRS 1 generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect at January 1, 2009. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The Fund has elected to take the following IFRS 1 optional exemptions:

- The Fund has elected not to apply retrospective restatement to business combinations executed prior to January 1, 2010, therefore beginning to adopt the requirements of IFRS 3 *Business Combinations* prospectively from the transition date of January 1, 2010. Goodwill recorded on business combinations prior to the transition date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption except as required under IFRS 1 *Intangible Assets*

- The Fund will apply the optional exemption to not retrospectively restate intangible assets at the date of transition, using deemed cost as the carrying value at the date of transition.

- The Fund will elect to deem the cumulative currency translation difference relating to its foreign operations to be nil at the transition date. This requires transferring all foreign currency translation differences recognized as a separate component of equity to retained earnings on the transition date of January 1, 2010. The result of this election will increase accumulated other comprehensive income and decrease retained earnings by the balance at December 31, 2009 of $5.1 million. The net impact on equity is nil.

Changes to estimates previously made are not permitted. The estimates previously made by the Fund under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Analysis of IFRS Impact on the Company

The IFRS conceptual framework bears many similarities to that of Canadian GAAP, however significant differences exist in the measurement, recognition, and disclosure for certain areas of accounting. IFRS adoption will not lead to the change in cash flows of the Company, however converting to IFRS will result in changes to the reporting of financial position and operating results of the Company.

Outlined below is a description of the key IFRS standards and an explanation of the impact that the adoption of these standards will have on the way that the Company's financial results are reported. This list is not meant to be an exhaustive list of all Canadian GAAP to IFRS differences, but instead provide investors with knowledge of those standards that will most significantly impact the Company.

An unaudited reconciliation of the changes in equity between Canadian GAAP and IFRS at the transition date, January 1, 2010 is provided in this MD&A following this explanation. This information is provided to enable financial statement users to better understand the changes identified to date relative to the Company's historical financial statements.

The following analysis is based on the information available as at the date of this MD&A. Several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB"), and are expected to remain as such. The Company will continue to monitor the status of upcoming amendments to existing standards.

Financial Statement Presentation (IAS 1)

Deviation from GAAP

Like Canadian GAAP, under IFRS a complete set of financial statements includes a statement of financial position, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, accounting policies and explanatory notes. IFRS requires significantly more disclosure than existing Canadian GAAP. In addition, classification and presentation may be different for some balance sheet and income statement items.

Impact

It is expected that the adoption of IFRS will result in considerable changes in the format of the financial statements of the Company. The current disclosures as prescribed by Canadian GAAP will require significant expansion under IFRS in certain areas, and there will be changes to the classification and presentation of line items in the consolidated financial statements. Items previously aggregated in the financial statements will require separate presentation, and new categories will be introduced. The Company has identified those items in the notes that will require more detailed breakdown and explanation and is in the process of preparing full IFRS note disclosures.

Business Combinations (IFRS 3)

Deviation from GAAP

IFRS and Canadian GAAP require the acquisition method of accounting for all business combinations, however the standards are different in other areas. Transaction costs, including professional and consulting fees related to advisory, legal, accounting, valuation and other areas are expensed immediately whereas under Canadian GAAP, such amounts are included in the cost of the assets and capitalized in goodwill. Furthermore, under IFRS 3, an acquirer recognizes contingent consideration as part of the consideration transferred and measures it at the

acquisition-date fair value. Re-measurement at the end of each quarter impacts earnings until the liability is settled. Under Canadian GAAP, contingent consideration is recorded as goodwill when the contingency is resolved.

Impact

There will be no impact on the opening balance as the Company intends to use the exemption provided under IFRS 1.

For acquisitions after the transition, the Company will measure the contingent consideration at the acquisition-date fair value with subsequent changes in fair value reported in net earnings. Furthermore, the Company's policy will be to expense transaction costs when incurred. For comparative purposes, the 2010 acquisitions of Nightingale, MAAK, and CSM will be reported on the comparative balance sheet and income statement in accordance with IFRS. The transition to IFRS will therefore impact goodwill and net income for fiscal 2010.

The contingent consideration for the purchase of Nightingale in the second quarter of 2010 will be estimated and accrued with subsequent measurement recorded in net earnings, and transaction costs associated with all 2010 acquisitions will be shown as expenses for comparative periods.

Property, Plant and Equipment (IAS 16)

Deviation from GAAP

IFRS requires the componentization of assets, where all significant components of an asset are recognized and depreciated separately.

IFRS allows the periodic revaluation of property, equipment and leaseholds.

Impact

The Company's current policy on recognition and measurement of property, plant and equipment is in line with the requirements of IFRS.

Given the nature and low materiality of the Company's property, plant and equipment, further componentization will not be required.

The Company is electing not to periodically revalue its property, equipment and leaseholds and therefore will continue to use the cost method to account for these items.

Financial Instruments: Presentation (IAS 32)

Deviation from GAAP

Unlike Canadian GAAP, IFRS requires that a financial instrument which gives the holder the right to put the instrument back to the issuer for cash be classified as a financial liability, unless certain criteria are met to allow for classification as equity.

Impact

The Fund's Declaration of Trust stipulates that units of the Fund to be redeemable at the option of the holder for cash, rendering them "puttable financial instruments" as defined in IFRS. As such, unless all criteria in IAS 32 are met to enable the units to qualify as equity, Fund units, currently classified as unit capital under Canadian GAAP, must be reclassified as a liability. A puttable financial instrument can be classified as equity only if the instrument does not include any other contractual obligation to deliver cash or another financial asset to another entity. The trust indenture is written in such a way that all distributable cash must be distributed to unitholders, i.e. there is a contractual obligation to deliver cash. Management has performed an extensive analysis and sought advice from the Fund's IFRS advisor with respect to meeting the criteria for the Fund units to be classified as equity, however the conclusion has been made that liability classification applies to its units. The reclassification results in a charge to the deficit of $49.0 million for the difference between the December 31, 2009 Unit Capital carrying value and the fair value of the Fund units at December 31, 2009 based on closing market price. At the end of each reporting period, the units must be revalued to fair value, the difference charged to comprehensive income.

This will only affect the opening balance sheet and comparative figures as the Fund has converted to a corporation January 1, 2011 and its shares qualify as equity given payment of dividends are discretionary.

Since January 1, 2010 balances for the remaining 2010 reporting periods will classify the Fund units as liabilities, the convertible debentures issued by the Fund will require reclassification, as they are currently treated as compound financial instruments under GAAP, with the net present value at the date of issue making up the liability component with the remainder of the fair value at the issue date allocated to equity. As at December 31, 2009, the Fund had $2.8 million in convertible debentures classified as equity. This amount must be re-characterized as a liability. Therefore, $2.8 million of equity related to the convertible debentures has been eliminated, with a corresponding increase in equity.

Impairment of Assets (IAS 36)

Deviation from GAAP

IFRS contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs). The testing uses a one-step approach for both testing for and measurement of impairment, with asset or CGU carrying values compared directly with the higher of fair value less costs to sell, and value in use.

CGUs are to be determined based on the smallest group of assets that is capable of generating largely independent cash inflows, which may differ from asset groups under Canadian GAAP. Goodwill is allocated to CGUs for testing purposes. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under Canadian GAAP.

Impact

The Company's current methods of determining impairment are adequate in timing and frequency. Management has split the business into CGUs by dividing member firms into groups where business is shared and cash flows cannot be separated. Once the CGUs were identified, goodwill was allocated across these units on a systematic and consistent basis.

To determine any adjustment at the date of transition, the carrying value of each CGU (book value of capital assets, intangibles, and goodwill) were compared to the fair value less cost to sell of each CGU, determined by performing a hypothetical purchase price calculation based on an average EBITDA with an appropriate multiple applied.

This assessment led to the recording of an adjustment to retained earnings in the amount of $3.8 million and non-controlling interest of $1.3 million; approximately $0.5 million of the total of $5.1 million attributable to impairment of properties and equipment and approximately $4.6 million attributable to goodwill impairment. Under IFRS, further disclosure regarding the calculated impairment will be required in the notes to the financial statements, including methods of calculation and any assumptions made.

Provisions, Contingent Liabilities and Contingent Assets (IAS 37)

Deviation from GAAP

Under Canadian GAAP**,** provisions are recognized when it is likely that there will be an outflow of resources to settle the obligation and the outflow is determinable and measurable. Under IFRS, a provision is recognized when there is a probable outflow of resources to settle the obligation. Probable means more likely than not.

The result is lower a threshold for recognizing such obligations under IFRS than under Canadian GAAP.

Impact

Management responsible for assessing the amount of provisions to be recorded will assess provisions in accordance with IAS 37.

An assessment of contingencies existing at December 31, 2009 and in 2010 was performed using the lower threshold for recognition under IFRS. It was determined that no contingencies existed where a provision would have been required to be recorded under IFRS as at this date.

In the future, provisions may be recorded earlier, or recorded when they may not have been recorded at all under existing GAAP. The Company is analyzing the impact of the changes on its financial statements.

Financial Instruments (IAS 39)

Deviation from GAAP

Under GAAP, an entity can elect to recognise immediately costs associated with the modification of terms of debt in profit or loss. Under IFRS, all transaction costs related to a significant modification in terms must be capitalized and netted against the related liability.
With respect to hedge accounting, under GAAP a reporting entity can elect to follow the short cut method of hedge accounting when the critical terms of a hedging relationship match. This method assumes that there is no ineffectiveness. While IFRS incorporates the concept of critical terms match, the application differs from that under GAAP. GAAP assumes no ineffectiveness, however IFRS assumes the hedge relationship is "highly effective". The criteria for hedge accounting are met, however reporting entities are responsible for ongoing effectiveness testing.

Impact

The deferred charge balance of $0.8 million relating to debt modifications has been reclassified as net of the term debt. In addition, $0.1 million in legal fees expensed under Canadian GAAP have been recapitalized to net against term debt.

IBI's current documentation does not provide for effectiveness testing, as it is based on the ability to apply the short cut method of hedge accounting. Therefore, the interest rate swaps can no longer be accounted for using hedge accounting. The cumulative loss on the interest rate swaps of $1.4 million at December 31, 2009 is classified as Accumulated Other Comprehensive Income within equity, as hedge accounting recognizes the gains or losses on the derivative in Other Comprehensive income rather than through profit or loss. On transition to IFRS, this cumulative loss must be recognised in retained earnings, with interest charges through profit or loss, through a charge to the deficit on the opening balance sheet of $1.4 million. There is no net impact on equity.

Income Taxes (IAS 12)

Deviation from GAAP

While IAS 12 is similar to the existing CICA standard, any material adjustments to balances resulting from the adoption of IFRS would have a corresponding effect on future income taxes balances.

Canadian GAAP requires the classification of the deferred tax asset and liability balances as current and non-current, depending on the statement of financial position classification of the underlying balance to which the deferred tax asset/liability relates. Under IFRS, all deferred tax assets and liabilities are classified as non-current.

Impact

The decrease in the accounting basis of equipment resulting from the impairment charge on transition results in a related decrease in the deferred tax liability on transition of $0.1 million. Changes relating to capitalizing transaction costs associated with debt modification and

convertible debentures result in a corresponding decrease in the deferred tax asset relating to IBI Group in an amount of less than $0.1 million.

Classifying all deferred tax assets as non-current results in the reduction of current deferred tax asset and corresponding increase in the non-current deferred tax asset of $0.6 million. Classifying all deferred tax liabilities as non-current results in the reduction of current deferred tax liability and corresponding increase in the non-current deferred tax liabilities of $1.7 million.

IFRS Unitholders' Equity Reconciliation

During 2010 the Company completed the process of quantifying the IFRS opening balances as at the transition date of January 1, 2010. In preparing this reconciliation, the Company applied all IFRS principles as well as elections under IFRS 1 for first–time adopters, as outlined above.

A quantification of the expected impact on Unitholders' equity in the opening statement of financial position is presented in the table below. The amounts presented reflect the most recent views, assumptions and expectations of the Company as at the date of this MD&A. Overall, it is expected that the Shareholders' Equity of the Company will decrease by $179.3 million. It is possible that adjustments may occur if changes to or new interpretations of IFRS standards are released.

IFRS Standard	**Description of Change**	**Impact on Unitholders' Equity (Unaudited, in 000's) As at January 1, 2010**
IAS 27 – Consolidation	Minority Interest must be presented within equity	44,794
IAS 32 & 39– Financial Instruments	Classify trust units as liabilities at FV (note 1)	(216,421)
	Classify convertible debentures as liabilities at FV	(2,828)
IAS 36 – Impairment	Impairment of goodwill & PPE	(5,056)
	Other adjustments	195
	Total estimated after-tax impact on Unitholders' Equity	**(179,316)**

Note 1: The impact to Unitholders' equity reflected in the table above affects the Fund for the opening balance sheet prepared under IFRS as at January 1, 2010 and for the comparative period as at December 31, 2010. The shares of the Corporation and equity component of issued

convertible debentures will be presented in shareholders' equity for all periods subsequent to January 1, 2011, the date the Fund Converted to a corporation.

Key Factors Affecting the Business of IBI Group

The Company 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 Company 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 Company.

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 slowdown 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 twenty-seven acquisitions (including two in 2011) since the completion of its initial public offering on August 31, 2004, adding approximately 1,900 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 Company'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 Company.

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 Company's annual information form for the year ended December 31, 2010.

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 Company and its subsidiary entities, including IBI Group (collectively, the "Company"), 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 Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Company; (viii) risk of future legal proceedings against the Company; (ix) the international operations of the Company; (x) reduction in the Company'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 Company; (xv) limits under the Company's insurance policies; (xvi) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company's subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company's performance; (xx) the nature of the Common Shares; (xxi) the possibility of the distribution of securities on redemption or termination of the Company; (xxii) the possibility that the Company may issue additional Common Shares diluting existing Shareholders' interests; (xxiii) the continued investment

eligibility of the Common Shares; and (xxiv) income tax matters. These risk factors are discussed in detail under the heading “Risk Factors” in the Company’s annual information form for its year ended December 31, 2010. New risk factors may arise from time to time and it is not possible for management of the Company 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 Company 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 Company 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 Company assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of EBITDA, Distributable Cash and 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 Companys as an indicator of financial performance. The Company 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 “Distributable Cash” and “Summary of Quarterly Results”.

The Company’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 Company believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Common Shares. The distributable cash balance for 2009 does not include a reclassification adjustment that was made for a purchase price adjustment.

References in this MD&A to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization. Management of the Company 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 Company’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 Company’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 “Summary of Quarterly Results”.