Consolidated Financial Statements of

IBI INCOME FUND

Three Months Ended March 31, 2010
(Unaudited)

IBI INCOME FUND

Consolidated Balance Sheets
(In thousands of dollars)

As at March 31, 2010 and December 31, 2009

	2010 (Unaudited)	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 6,576	$ 6,940
Accounts receivable, net of allowance for doubtful accounts of $5,572 (2009 – $5,431)	118,983	123,293
Work in process	92,851	84,607
Prepaid expenses and other assets	5,680	5,203
Future income tax asset	410	631
	224,500	220,674
Future income tax asset	4,067	4,067
Deferred charges	782	847
Property and equipment	7,364	7,734
Intangible assets	27,220	28,259
Goodwill	156,065	155,075
	$ 419,998	$ 416,656
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 46,309	$ 51,773
Distributions payable	2,377	2,368
Due to related parties (notes 1 and 9)	26,518	454
Notes payable	14,594	16,727
Deferred revenue	12,200	13,331
Term debt (note 4)	21,027	32,333
Income taxes payable	1,423	1,580
Future income tax liability	1,676	1,705
	126,124	120,271
Future income tax liability	9,034	9,242
Notes payable	6,246	5,001
Deferred credit - leases	83	96
Long-term debt (note 4)	50,000	50,000
Unrealized interest rate swap losses	1,199	1,442
Convertible debentures (note 5)	41,101	41,047
Non-controlling interest (note 7)	43,903	44,794
Unitholders' equity (note 7):		
Unit capital	168,490	167,446
Deficit	(21,241)	(18,977)
Convertible debenture – equity component (note 5)	2,828	2,828
Accumulated other comprehensive loss	(7,769)	(6,534)
	142,308	144,763
	$ 419,998	$ 416,656

Subsequent event (note 13)

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenue:		
Fees	$ 68,075	$ 65,664
Expenses:		
Salaries, fees and employee benefits (note 9)	46,629	45,777
Rent (note 9)	4,253	3,826
Other operating	7,852	8,040
Foreign exchange loss (gain)	316	(1,250)
Amortization of property and equipment	809	924
Amortization of intangible assets	1,900	2,116
Amortization of deferred credit – leases	(12)	(28)
Interest	2,231	1,183
	63,978	60,588
Earnings before income taxes	4,097	5,076
Income tax expense (recoverable)		
Current	350	950
Future	(219)	(482)
	131	468
Earnings before non-controlling interest	3,966	4,608
Non-controlling interest (note 7)	(1,119)	(1,419)
Net earnings	$ 2,847	$ 3,189
Other comprehensive income:		
Change in accumulated gains and losses on translating financial statements of self sustaining foreign operations	(1,478)	372
Change in fair value of derivatives designated as cash flow hedges	243	(337)
Comprehensive Income	$ 1,612	$ 3,224
Basic and diluted earnings per unit[1]	$ 0.2228	$ 0.2824

(1) Any impact of the convertible rights on the debentures are not included in the calculation of net earnings per unit or weighted average number of units outstanding as they would be anti-dilutive.

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Unit Capital:		
Unit capital, beginning of period (note 7)	$ 167,446	$ 148,640
Units issued	1,044	-
Unit capital, end of period	168,490	148,640
Deficit:		
Deficit, beginning of period	(18,977)	(8,033)
Net earnings	2,847	3,189
Distributions declared to unitholders	(5,111)	(4,516)
Deficit, end of period	(21,241)	(9,360)
Convertible debentures – equity component:		
Convertible debenture, beginning and end of period (note 5)	2,828	–
Accumulated other comprehensive loss:		
Balance, beginning of period	(6,534)	(1,463)
Change in accumulated gains and losses on translating financial statements of self sustaining foreign operations	(1,478)	372
Change in fair value of derivatives designated as cash flow hedges	243	(337)
Balance, end of period	(7,769)	(1,428)
Total unitholders' equity, end of period	$ 142,308	$ 137,852

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash provided by (used in):		
Operating activities:		
Net earnings	$ 2,847	$ 3,189
Items not affecting cash:		
Amortization of property and equipment	809	924
Amortization of intangible assets	1,900	2,116
Amortization of deferred credit - leases	(12)	(28)
Accretion of convertible debenture issue costs	54	–
Future income taxes	(219)	(482)
Non-controlling interest	1,119	1,419
Change in non-cash operating working capital (note 6)	(11,438)	(8,516)
	(4,940)	(1,378)
Financing activities:		
Notes payable	(627)	(125)
Long term debt	(11,306)	10,315
Distributions paid to Unitholders	(5,102)	(4,516)
Distributions paid to non-controlling interest	(2,010)	(2,681)
Due to related parties	26,064	(5)
	7,019	2,988
Investing activities:		
Purchase of property and equipment	(460)	(470)
Acquisitions (note 3)	(812)	–
	(1,272)	(470)
Effect of foreign currency translation	(1,171)	(91)
Net increase (decrease) in cash and cash equivalent	$ (364)	$ 1,049
Cash and cash equivalents net, beginning of period	6,940	8,884
Cash and cash equivalents net, end of period	$ 6,576	$ 9,933
Supplemental cash flow information:		
Income taxes paid	$ 123	$ 703
Interest paid	1,382	1,183

See accompanying notes to consolidated financial statements.

1. Organization and description of the business:

IBI Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, which was created on July 23, 2004 to indirectly acquire and hold the outstanding Class A partnership units of IBI Group, a general partnership formed under the laws of the Province of Ontario. IBI Group also issued Class B partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the Fund's business prior to its acquisition by the Fund. The Management Partnership holds 5,025,778 Class B partnership units representing 28.2% of the issued and outstanding units of IBI Group and, with IBI Group Investment Partnership, holds, 3,202,050 units of the Fund, representing a total ownership of approximately 46.1% of IBI Group. The Management Partnership also holds 5,025,778 non-participating voting units of the Fund, which together with the 3,202,050 units of the Fund held by the Management Partnership and IBI Group Investment Partnership, represent approximately 46.1% of the voting units of the Fund.

The Fund is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and systems technology. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

On the closing of the Fund's initial public offering on August 31, 2004, the net working capital of the business of the Management Partnership was not acquired by the Fund. The remaining amount of such net working capital from the balance on hand at August 31, 2004 is being managed by the Fund and is being repaid to the Management Partnership as it is realized. As at March 31, 2010, $518 (December 31, 2009 - $454) had been realized, to be paid to the Management Partnership and is shown as a current liability.

2. Basis of presentation:

The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements. They do not include all the information and disclosure required by Canadian Generally Accepted Accounting Principles for annual financial statements, and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2009.

3. Acquisitions:

Acquisitions are accounted for under the purchase method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of earnings. From time to time, as a result of the timing of acquisitions in relation to the Fund's reporting schedule, certain of the purchase allocations may not be finalized at the time of reporting. Purchase price allocations are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Fund. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required. The purchase prices of acquisitions are generally subject to price adjustment clauses included in the purchase agreements. Such purchase price adjustments generally result in an increase or reduction to the promissory note consideration recorded at acquisition to reflect either more or less net working capital realized than was originally expected.

IBI Group has made the following acquisitions:

2010

- Effective February 1, 2010, IBI Group acquired the practice of MAAK Technologies Inc. (“MAAK”)

2009

- Effective November 1, 2009, IBI Group acquired the practice of Tetra Design Inc.
- Effective August 1, 2009, IBI Group acquired the practice of Stevens Group Architects Inc.
- Effective August 1, 2009, IBI Group acquired the practice of BFGC Architects, Planners, Inc.
- Effective May 1, 2009, IBI Group acquired the practice of Gruzen Samton Architects, Planners and Interior Designers LLP.

During the first quarter of 2010, the Fund adjusted the purchase price on the Young & Wright Architects, Lawrence Doyle, Young & Wright Architects, Gruzen Samton Architects, Planners and Interior Designers LLP, BFGC Architects, Planners, Inc., Stevens Group Architects Inc., and Tetra Design Inc. acquisitions. These adjustments resulted in a decrease in net working capital of $1,357, a decrease in notes payable of $1,297, an increase in cash consideration of $66 and an increase in goodwill of $126.

(In thousands of dollars)

The aggregate consideration for the acquisition was allocated as follows:

		2010
Cash consideration	$	746
Units issued		1,044
Notes payable issued, due 2010 through to 2011		
To be settled in cash		469
To be settled in units of the Fund		901
Purchase price	$	3,160
Net working capital	$	1,018
Property and equipment		65
Intangible assets		
Contract backlog		270
Client relationships		680
Other		50
Goodwill		1,346
Future tax liability		(269)
Net assets acquired	$	3,160

When IBI Group makes a strategic acquisition, members of the acquired entity may subsequently become members of the Group Management Partnership. In 2010, $94 was paid to partners of IBI Group Management Partnership, and $533 was paid to employees of IBI Group in relation to deferred compensation based on the underlying purchase prices agreed upon at the date of acquisition.

4. Bank indebtedness and long-term debt:

IBI Group has credit facilities totalling $150,000, consisting of a $10,000 swing facility (the “Swing Facility”), an $80,000 term facility (the “Term Facility”), and a $60,000 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 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 March 31, 2010, IBI Group had borrowings of $nil under the Swing Facility and $21,027 of borrowings under the Revolver Facility, compared with $6,400 under the Swing Facility and borrowings of $25,933 under the Revolver Facility that were in place 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 March 31, 2010, IBI Group had borrowings of $50,000 (2009 – $50,000) under the Term Facility.

In addition, a bid bond guarantee facility (the “Bid Bond Facility”) of up to USD$20,000 continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at March 31, 2010, IBI Group had issued bid bonds in the amount of $8,664 (2009 – $5,800) 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 Swing Facility, the Revolver Facility, the Term Facility and the Bid Bond Facility. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

Advances under the Swing Facility, Revolver Facility and the Term Facility bear interest at a rate based on the Canadian dollar or United States dollar prime rate, LIBOR or banker’s acceptance rates, plus, in each case, an applicable margin. Letters of credit and letters of guarantee on customary terms for credit facilities of this nature are also available under the Swing Facility. The Bid Bond Facility is only available by way of letters of credit or letters of guarantee.

At March 31, 2010, the Fund had $24,000 (2009 - $24,000) notional amounts of interest-rate swap agreements outstanding with a fair value of the swap liability of $1,199 (2009 - $1,442). The terms of these swaps correspond to the terms of the underlying hedged interest payments on the term facility.

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

5. Convertible debentures:

In conjunction with the prospectus offering that closed September 30, 2009, the Fund issued convertible redeemable 7.0% debentures (“Debentures”) due December 31, 2014 totaling $46,000. Interest is payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2009. The Debentures will be convertible into units of the Fund at the option of the holder at a conversion price of $19.17 per unit. The Debentures will be redeemable by the Fund at a price of $1,000 per Debenture, plus accrued and unpaid interest, on or after September 30, 2012 and prior to the maturity date (provided that, if the redemption is prior to September 30, 2013, the weighted average trading price of the trust units of the Fund (the “Units”) on the Toronto Stock Exchange (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 $19.17). The Debentures are compound financial instruments and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of $40,941 and $2,828, respectively. The equity component reflects the value of the conversion option of the Debentures.

(In thousands of dollars)

	Debt Component	Equity Component	Total
Balance, beginning of period	$ 41,047	$ 2,828	$ 43,875
Accretion of convertible debenture issue costs	54	–	54
Balance, end of period	$ 41,101	$ 2,828	$ 43,929

6. Change in non-cash operating working capital:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Accounts receivable	$ 4,310	$ (2,946)
Work in process	(8,244)	(3,890)
Prepaid expenses and other assets	(477)	(315)
Deferred charges	65	(127)
Accounts payable and accrued liabilities	(5,464)	(6,061)
Deferred revenue	(1,131)	4,484
Income taxes payable	(157)	339
Acquisition of working capital	(340)	–
	$ (11,438)	$ (8,516)

7. Unitholders' equity and non-controlling interest:

	Three months ended March 31, 2010		Three months ended March 31, 2009	
	Units	Amount	Units	Amount
Balance, beginning of period	12,738,146	$167,446	11,292,807	$ 148,640
Units issued	64,769	1,044	–	–
Balance, end of period	12,802,915	$168,490	11,292,807	$ 148,640

During the first quarter, 64,769 units were issued as part of the payment made for the acquisition of MAAK. These units were issued at a price of $16.12 per unit for a total amount of $1,044. In addition, a promissory note was issued in the amount of $1,370 which is to be repaid in two instalments on the first and second anniversary of the note, subject to adjustment. All payments in respect of the note shall be satisfied by the delivery of Fund units equal to the dollar amount of the principal payment divided by the volume-weighted average trading value of the units for the five trading days prior to issuance of the units.

(In thousands of dollars)

Each unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments and entitles the holder to rights to redemption.

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

The Class B partnership units of IBI Group are indirectly exchangeable for units on the basis of one unit of the Fund for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for units on December 31, 2009, the units issued on such exchange would have represented a 28.2% interest in the Fund.

Class B partnership units do not entitle the holder to voting rights at the meetings of Unitholders and Non-Participating Unitholders. At the time of issuance of the Class B partnership units, one Non-Participating Voting unit of the Fund was issued to the holder of the Class B partnership units for each Class B partnership unit held. The Class B partnership units have been recorded as a non-controlling interest in the consolidated financial statements.

The movements in non-controlling interest are set out below:

	Three months ended March 31, 2010	Year ended December 31, 2009
Balance, beginning of period	$ 44,794	$ 48,916
Earnings for the period	1,119	3,917
Distributions	(2,010)	(8,039)
Balance, end of period	$ 43,903	$ 44,794

8. Deferred Unit Plan:

In 2009, the Fund established a deferred unit plan that allows trustees to receive trustee fees in the form of Deferred Units rather than cash.

	Value at March 31, 2010		Value at December 31, 2009	
	Units	Amount	Units	Amount
Deferred Units	13,041	$ 191	9,831	$ 167

During the first quarter of 2010, the Fund recorded trustee fees of $54 (2009 – $48) included in other operating expense.

9. Related party transactions:

(a) IBI Group leased its Toronto office space from a corporation which was indirectly owned by the partners of the Management Partnership. The leases were entered into in 2002 with a ten year term to expire on December 31, 2012. On March 11, 2010, the buildings were sold to an outside party with IBI Group extending its lease until December 31, 2013 and maintaining the current market rental rates that it had been paying for premises.

(b) Pursuant to the Administration Agreement entered into in connection with the closing of the Fund's initial public offering, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services provided by the principals of the partners of the Management Partnership and by entities affiliated with the Management Partnership. The amount paid for such services during the three months ended March 31, 2010 was $4,000 compared with $3,700 in 2009.

(c) During the first quarter of 2010, IBI Group Management Partnership advanced $26,000 to IBI Group. The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lenders, less any commitment fees payable to its bank lender. The loan is subordinated to the Fund's indebtedness to its bank lenders and is unsecured.

10. Capital management:

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

The Fund seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. 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. The remaining amount of equity that the Fund can raise up until December 31, 2010 without exceeding limits legislated by the Federal Government for Income Trusts is approximately $23,266 ($1,266 taking into account the convertible debenture offering that closed on April 28, 2010 as described in note 13).

The Fund is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio and current ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at March 31, 2010, the Fund was in compliance with all covenants under its credit facilities.

(In thousands of dollars)

11. Segment information:

The Fund is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. The Fund considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Fund are defined as components of the Fund for which separate financial information is available that is evaluated regularly in allocating resources and assessing performance by the chief operating decision maker, who is the Chief Executive Officer of IBI Group.

All operations of the Fund are included in one reportable segment - consulting services, that provides services throughout North America and internationally. Geographically, the operations of the Fund are disclosed as follows:

Property and equipment, goodwill, intangible assets:

	As at March 31, 2010	As at December 31, 2009
Canada	$ 163,019	$162,304
United States	25,345	26,411
International	2,285	2,353
	$ 190,649	$191,068

Fees revenue for the three months ended March 31:

	2010	2009
Canada	$ 43,165	$ 43,841
United States	18,937	14,658
International	5,973	7,165
	$ 68,075	$ 65,664

Revenue is attributed to countries based on the location of the work performed.

Customers

The Fund has a large number of clients in various industries and sectors of the economy. Revenue is not concentrated in any particular client.

12. Comparative figures:

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

13. Subsequent Events:

In conjunction with the prospectus offering that closed April 28, 2010, the Fund issued convertible redeemable 5.75% debentures ("Debentures") due June 30, 2017 totaling $20,000. Interest is payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2010. The Debentures will be convertible into units of the Fund at the option of the holder at a conversion price of $20.52 per unit. The Debentures will be redeemable by the Fund at a price of $1,000 per Debenture, plus accrued and unpaid interest, on or after June 30, 2015 and prior to the maturity date (provided that, if the redemption is prior to June 30, 2015, the weighted average trading price of the trust units of the Fund (the "Units") on the Toronto Stock Exchange (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 $20.52). The Debentures are compound financial instruments and the proceeds of the offering, at the time of issue, will be allocated between a liability and equity component. The equity component will reflect the value of the conversion option of the Debentures.