

Interim Consolidated Financial Statements of

IBI INCOME FUND

Three Months and Six Months Ended June 30, 2010
(Unaudited)

IBI INCOME FUND

Interim Consolidated Balance Sheets
(In thousands of dollars)

As at June 30, 2010 and December 31, 2009

| | 2010 | 2009 |
|--|-------------|------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 14,212 | \$ 6,940 |
| Accounts receivable, net of allowance for doubtful accounts of \$6,167 (2009 – \$5,431) | 129,464 | 123,293 |
| Work in process | 100,488 | 84,607 |
| Prepaid expenses and other assets | 6,065 | 5,203 |
| Future income tax asset | 165 | 631 |
| | 250,394 | 220,674 |
| Future income tax asset | 4,067 | 4,067 |
| Deferred charges | 694 | 847 |
| Property and equipment | 8,019 | 7,734 |
| Intangible assets | 30,605 | 28,259 |
| Goodwill | 167,250 | 155,075 |
| | \$ 461,029 | \$ 416,656 |
| Liabilities and Unitholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 56,585 | \$ 51,773 |
| Distributions payable | 2,382 | 2,368 |
| Due to related parties (notes 1 and 9) | 26,348 | 454 |
| Notes payable | 18,708 | 16,727 |
| Deferred revenue | 13,457 | 13,331 |
| Term debt (note 4) | 26,628 | 32,333 |
| Income taxes payable | 3,408 | 1,580 |
| Future income tax liability | 1,705 | 1,705 |
| | 149,220 | 120,271 |
| Future income tax liability | 9,614 | 9,242 |
| Notes payable | 5,896 | 5,001 |
| Deferred credit - leases | 71 | 96 |
| Long-term debt (note 4) | 50,615 | 50,000 |
| Unrealized interest rate swap | 1,091 | 1,442 |
| Convertible debentures (note 5) | 58,516 | 41,047 |
| Non-controlling interest (note 7) | 42,907 | 44,794 |
| Unitholders' equity (note 7): | | |
| Unit capital | 169,034 | 167,446 |
| Deficit | (23,710) | (18,977) |
| Convertible debentures – equity component (note 5) | 4,524 | 2,828 |
| Accumulated other comprehensive loss | (6,750) | (6,534) |
| | 143,098 | 144,763 |
| | \$ 461,029 | \$ 416,656 |

Subsequent event (note 13)

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|--|---|---|---|---|
| Revenue: | | | | |
| Fees | \$ 69,790 | \$ 71,033 | \$ 137,865 | \$ 136,697 |
| Expenses: | | | | |
| Salaries, fees and employee benefits (note 9) | 47,913 | 45,053 | 94,542 | 90,830 |
| Rent (note 9) | 4,245 | 3,942 | 8,498 | 7,768 |
| Other operating | 7,977 | 8,013 | 15,829 | 16,053 |
| Foreign exchange loss (gain) | (433) | 2,076 | (117) | 826 |
| Amortization of property and equipment | 922 | 959 | 1,731 | 1,883 |
| Amortization of intangible assets | 2,021 | 2,173 | 3,921 | 4,289 |
| Amortization of deferred credit – leases | (13) | (28) | (25) | (56) |
| Interest, net | 2,446 | 1,451 | 4,677 | 2,634 |
| | 65,078 | 63,639 | 129,056 | 124,227 |
| Earnings before income taxes | 4,712 | 7,394 | 8,809 | 12,470 |
| Income taxes | | | | |
| Current | 1,209 | 2,222 | 1,559 | 3,172 |
| Future | (203) | (506) | (422) | (988) |
| | 1,006 | 1,716 | 1,137 | 2,184 |
| Earnings before non-controlling interest | 3,706 | 5,678 | 7,672 | 10,286 |
| Non-controlling interest (note 7) | (1,044) | (1,699) | (2,163) | (3,118) |
| Net earnings | \$ 2,662 | \$ 3,979 | \$ 5,509 | \$ 7,168 |
| Other comprehensive income: | | | | |
| Change in accumulated gains and losses on translating financial statements of self sustaining foreign operations | 911 | (2,617) | (567) | (2,245) |
| Change in fair value of derivative designated as cash flow hedge | 108 | 423 | 351 | 86 |
| Comprehensive income | \$ 3,681 | \$ 1,785 | \$ 5,293 | \$ 5,009 |
| Basic and diluted earnings per unit ⁽¹⁾ | \$ 0.2076 | \$ 0.3380 | \$ 0.4297 | \$ 0.6215 |

(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

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

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Unit capital: | | | | |
| Unit capital, beginning of period (note 7) | \$ 168,490 | \$ 148,640 | \$ 167,446 | \$ 148,640 |
| Units issued | 544 | 15,864 | 1,588 | 15,864 |
| Unit Capital, end of period | 169,034 | 164,504 | 169,034 | 164,504 |
| Deficit: | | | | |
| Deficit, beginning of period | (21,241) | (9,360) | (18,977) | (8,033) |
| Net earnings | 2,662 | 3,979 | 5,509 | 7,168 |
| Distributions declared to Unitholders | (5,131) | (4,843) | (10,242) | (9,359) |
| Issue costs | — | (693) | — | (693) |
| Deficit, end of period | (23,710) | (10,917) | (23,710) | (10,917) |
| Convertible Debentures – equity component: | | | | |
| Balance, beginning of period | 2,828 | — | 2,828 | — |
| Issuance of convertible debentures | 1,696 | — | 1,696 | — |
| Balance, end of period | 4,524 | — | 4,524 | — |
| Accumulated other comprehensive loss: | | | | |
| Balance, beginning of period | (7,769) | (1,428) | (6,534) | (1,463) |
| Change in accumulate gains and losses on translating financial statements of self sustaining foreign operations | 911 | (2,617) | (567) | (2,245) |
| Change in fair value of derivative designated as cash flow hedge | 108 | 423 | 351 | 86 |
| Balance, end of period | (6,750) | (3,622) | (6,750) | (3,622) |
| Total unitholders' equity, end of period | \$ 143,098 | \$ 149,965 | \$ 143,098 | \$ 149,965 |

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

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

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|--|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net earnings | \$ 2,662 | \$ 3,979 | \$ 5,509 | \$ 7,168 |
| Items not affecting cash: | | | | |
| Amortization of property and equipment | 922 | 959 | 1,731 | 1,883 |
| Amortization of intangible assets | 2,021 | 2,173 | 3,921 | 4,289 |
| Amortization of deferred credit - leases | (13) | (28) | (25) | (56) |
| Accretion of convertible debenture issue costs | 106 | — | 160 | — |
| Future income taxes | (203) | (506) | (422) | (988) |
| Non-controlling interest | 1,044 | 1,699 | 2,163 | 3,118 |
| Change in non-cash operating working capital (note 6) | (223) | (8,796) | (11,661) | (17,311) |
| | 6,316 | (520) | 1,376 | (1,897) |
| Financing activities: | | | | |
| Notes payable | (1,968) | (3,330) | (2,595) | (3,455) |
| Term debt | 6,216 | (2,390) | (5,090) | 7,925 |
| Distributions paid to Unitholders | (5,126) | (4,679) | (10,228) | (9,195) |
| Distributions paid to non-controlling interest | (2,040) | (2,009) | (4,050) | (4,690) |
| Issuance of convertible debentures | 19,005 | — | 19,005 | — |
| Issuance of units | — | 15,864 | — | 15,864 |
| Issue costs | — | (693) | — | (693) |
| Due to related parties | (170) | (56) | 25,894 | (61) |
| | 15,917 | 2,707 | 22,936 | 5,695 |
| Investing activities: | | | | |
| Purchase of property and equipment | (865) | (413) | (1,325) | (883) |
| Acquisitions, net of cash acquired (note 3) | (14,195) | (3,016) | (15,007) | (3,016) |
| | (15,060) | (3,429) | (16,332) | (3,899) |
| Effect of foreign currency translation | 463 | (1,463) | (708) | (1,555) |
| Increase (decrease) in cash and cash equivalents | \$ 7,636 | \$ (2,705) | \$ 7,272 | \$ (1,656) |
| Cash and cash equivalents, beginning of period | 6,576 | 9,933 | 6,940 | 8,884 |
| Cash and cash equivalents, end of period | \$ 14,212 | \$ 7,228 | \$ 14,212 | \$ 7,228 |
| Supplemental cash flow information: | | | | |
| Income taxes paid (recovered) | \$ (459) | \$ (62) | \$ (336) | \$ 641 |
| Interest paid | 2,340 | 1,451 | 4,517 | 2,634 |

See accompanying notes to consolidated financial statements.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

1. Organization and description of the business:

IBI Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, which was created on July 23, 2004 to indirectly acquire and hold the outstanding Class A partnership units of IBI Group, a general partnership formed under the laws of the Province of Ontario. IBI Group also issued Class B partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the Fund's business prior to its acquisition by the Fund. The Management Partnership holds 5,025,778 Class B partnership units representing 28.1% 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 46.0% 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 46.0% of the voting units of the Fund.

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

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 June 30, 2010, \$348 (December 31, 2009 - \$454) had been realized, to be paid to the Management Partnership and is shown as a current liability.

2. Significant accounting policies

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.

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

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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

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 June 1, 2010, IBI Group acquired the practice of Nightingale Associates Limited ("NAL")
- 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.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

- 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.

During the second quarter of 2010, the Fund adjusted the purchase price on the Martin + Marcotte Architects, and Rhon Ernest-Jones Consulting engineer, Inc. These adjustments resulted in a decrease in net working capital of \$144, and a decrease in notes payable of \$144.

The aggregate consideration given and the fair value of the net assets acquired in the three and six months ended June 30, 2010 was allocated as follows:

| | Three months ended June 30, 2010 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|--|---|---|---|
| Cash consideration | \$ 14,196 | \$ 14,942 | \$ 1,652 |
| Units issued | – | 1,044 | 1,364 |
| Notes payable issued, due 2010 through to 2012 | | | |
| To be settled in cash | 6,006 | 6,475 | 962 |
| To be settled in units of the Fund | – | 901 | 1,364 |
| Purchase price | \$ 20,202 | \$ 23,362 | \$ 5,342 |
| Net working capital | \$ 4,818 | \$ 5,836 | \$ 2,473 |
| Property and equipment | 587 | 652 | 506 |
| Intangible assets | | | |
| Contract backlog | 1,094 | 1,364 | 674 |
| Client relationships | 3,345 | 4,025 | 221 |
| Other | 793 | 842 | 582 |
| Goodwill | 10,514 | 11,861 | 886 |
| Future tax liability | (949) | (1,218) | – |
| Net assets acquired | \$ 20,202 | \$ 23,362 | \$ 5,342 |

As at June 30, 2010, additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. This contingent consideration is not determinable and will be recognized as an adjustment to goodwill in the period in which the contingency is resolved.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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 June 30, 2010, IBI Group had borrowings of \$5,350 under the Swing Facility and \$21,278 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 June 30, 2010, IBI Group had borrowings of \$50,615 (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 June 30, 2010, IBI Group had issued bid bonds in the amount of \$9,430 (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

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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 June 30, 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 \$1,091 (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 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, were allocated between a liability and equity component in the amount of \$17,309 and \$1,696 respectively. The equity component will reflect the value of the conversion option of the 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 \$41,047 and \$2,828, respectively. The equity component reflects the value of the conversion option of the Debentures.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

| | Debt Component | Equity Component | Total |
|--|-------------------|---------------------|------------------|
| Balance, beginning of year, | \$ 41,047 | \$ 2,828 | \$ 43,875 |
| Issuance of convertible debenture | 17,309 | 1,696 | 19,005 |
| Accretion of convertibles debenture issue costs | 160 | — | 160 |
| Balance, end of period | \$ 58,516 | \$ 4,524 | \$ 63,040 |

6. Change in non-cash operating working capital:

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Accounts receivable | \$ (10,481) | \$ 1,399 | \$ (6,171) | \$ (1,547) |
| Work in process | (7,637) | (10,878) | (15,881) | (14,768) |
| Prepaid expenses and other assets | (385) | (650) | (862) | (965) |
| Deferred charges | 88 | 86 | 153 | (41) |
| Accounts payable | 10,276 | 7,529 | 4,812 | 1,469 |
| Deferred revenue | 1,257 | (7,862) | 126 | (3,378) |
| Income taxes recoverable (payable) | 1,985 | 1,428 | 1,828 | 1,767 |
| Acquisition of working capital (net) | 4,674 | 152 | 4,334 | 152 |
| | \$ (223) | \$ (8,796) | \$ (11,661) | \$ (17,311) |

7. Unitholders' equity and non-controlling interest:

| | Six months ended June 30, 2010 | | Six months ended June 30, 2009 | |
|-------------------------------|--------------------------------------|------------------|--------------------------------------|-------------------|
| | Units | Amount | Units | Amount |
| Balance, beginning of period | 12,738,146 | \$167,446 | 11,292,807 | \$ 148,640 |
| Units issued | 104,080 | 1,588 | 1,226,453 | 15,864 |
| Balance, end of period | 12,842,226 | \$169,034 | 12,519,260 | \$ 164,504 |

During the second quarter, 39,311 units were issued as payment made against the promissory note for the acquisition of Gruzen Samton. These units were issued at a price of \$13.83 per unit for a total amount of \$544. The payment in respect of the note was 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.

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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. 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 June 30, 2010, the units issued on such exchange would have represented a 28.1% 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 June 30 2010 | Six months ended June 30, 2010 | Year ended December 31, 2009 |
|------------------------------|---------------------------------------|--------------------------------------|------------------------------------|
| Balance, beginning of period | \$ 43,903 | \$ 44,794 | \$ 48,916 |
| Earnings for the period | 1,044 | 2,163 | 3,917 |
| Distributions | (2,040) | (4,050) | (8,039) |
| Balance, end of period | \$ 42,907 | \$ 42,907 | \$ 44,794 |

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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 June 30, 2010 | | Value at December 31, 2009 | |
|-----------------------|---------------------------|--------|-------------------------------|--------|
| | Units | Amount | Units | Amount |
| <u>Deferred Units</u> | 16,694 | \$ 230 | 9,831 | \$ 167 |

During the six months ended June 30, 2010, the Fund recorded trustee fees of \$113 (2009 – \$138) 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. The total payment under the leases up to March 11, 2010 was approximately \$486 (2009 - \$406).
- (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 June 30, 2010 was \$4,700 (2009 – \$3,900) and \$8,600 for the year to date (2009 - \$7,600).
- (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

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

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 \$3,371.

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, current ratio and distributions not to exceed distributable cash. 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 and for the quarter ended June 30, 2010, the Fund was in compliance with the debt to EBITDA ratio, current ratio and distributions covenants. The Fund was slightly under on the fixed charge coverage ratio covenant for which it has received a waiver from the banking syndicate.

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 June 30, 2010 | As at December 31, 2009 |
|---------------|---------------------------|-------------------------------|
| Canada | \$ 161,458 | \$ 162,304 |
| United States | 25,929 | 26,411 |
| International | 18,487 | 2,353 |
| | <u>\$ 205,874</u> | <u>\$ 191,068</u> |

IBI INCOME FUND

Notes to Consolidated Financial Statements
(In thousands of dollars)

| Fees: | | | | |
|---------------|--|--|--------------------------------------|--------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
| Canada | \$ 44,541 | \$ 44,132 | \$ 87,706 | \$ 87,974 |
| United States | 17,764 | 17,068 | 36,700 | 31,725 |
| International | 7,486 | 9,833 | 13,459 | 16,998 |
| | <u>\$ 69,790</u> | <u>\$ 71,033</u> | <u>\$ 137,865</u> | <u>\$136,697</u> |

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:

Subsequent to the end of the quarter, the Fund announced its plan to convert to a dividend-paying corporation as of January 1, 2011.