

Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three months ended March 31, 2011 and 2010

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position (unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current Assets				
Cash and cash equivalents	6	\$ 10,180	\$ 3,662	\$ 6,940
Accounts receivable	6, 12	128,228	134,038	123,293
Work in process	6	101,354	90,884	84,607
Prepaid expenses and other current assets		5,691	6,375	5,203
Total Current Assets		\$ 245,453	\$ 234,959	\$ 220,043
Property and equipment	8	7,112	6,335	7,217
Intangible assets	9	33,762	28,198	28,163
Goodwill	9	161,169	157,748	146,984
Deferred tax assets	7	8,012	11,013	8,270
Total Assets		\$ 455,508	\$ 438,253	\$ 410,677
Liabilities and Equity				
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	16	\$ 48,242	\$ 52,542	\$ 51,773
Due to related parties	10	20,000	26,000	454
Notes payable	16	14,943	11,046	16,727
Deferred revenue		14,711	12,943	13,331
Term debt	6	5,250	34,650	81,399
Trust units liability	6	-	600	600
Income taxes payable		2,540	2,115	1,580
Dividends payable		1,861	-	-
Distributions payable		-	2,393	2,368
Total Current Liabilities		\$ 107,547	\$ 142,289	\$ 168,232
Notes payable	16	5,899	2,784	5,001
Unrealized interest rate swap losses	6, 12	442	628	1,442
Long-term debt	6	47,043	47,906	-
Convertible debentures	6	110,427	58,658	41,047
Convertible debentures - embedded derivative	6	-	2,646	5,628
Trust units liability	6	-	174,010	215,821
Deferred tax liabilities		11,487	12,238	10,811
Exchangeable interest liability	6	-	67,899	85,388
Total Liabilities		\$ 282,845	\$ 509,058	\$ 533,370
Equity				
Shareholders' Equity				
Share capital	11	174,878	-	-
Deficit		(70,136)	(66,847)	(122,693)
Convertible debentures - equity component	6	5,852	-	-
Accumulated other comprehensive loss		(4,419)	(3,958)	-
Total Shareholders' Equity		\$ 106,175	\$ (70,805)	\$ (122,693)
Non-controlling interest	11	66,488	-	-
Total Equity		\$ 172,663	\$ (70,805)	\$ (122,693)
Total Liabilities and Equity		\$ 455,508	\$ 438,253	\$ 410,677

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Comprehensive Income (unaudited)

(thousands of Canadian dollars, except per share amounts)	Notes	Three months ended	
		March 31, 2011	March 31, 2010
Revenue		\$ 77,785	\$ 68,075
Salaries, fees and employee benefits		52,988	46,629
Rent	10, 14	4,857	4,253
Other operating expenses	7, 16	8,910	7,181
Foreign exchange loss (gain)	12	218	316
Amortization of intangible assets	9	1,872	1,888
Amortization of property and equipment	8	857	809
Impairment of financial assets	6	211	524
		69,913	61,600
Operating Income		\$ 7,872	\$ 6,475
Interest expense, net	12, 15	3,115	2,231
Other finance costs (income)	15	223	(37,262)
Finance Costs (Income)		\$ 3,338	\$ (35,031)
Current tax expense	7	1,652	350
Deferred tax expense (recovery)	7	2,493	(349)
Income taxes		\$ 4,145	\$ 1
Net Income for the Period		\$ 389	\$ 41,505
Other comprehensive loss			
Loss on translating financial statements of foreign operations		(641)	(1,478)
Other comprehensive loss, net of tax		(641)	(1,478)
Total Comprehensive Income (Loss)		\$ (252)	\$ 40,027
Net income (loss) attributable to:			
Owners of the Company		\$ 280	\$ -
Owners of the Fund		-	41,505
Non-controlling interests	11	109	-
Net income for the period		\$ 389	\$ 41,505
Total comprehensive income (loss) attributable to:			
Owners of the Company		\$ (181)	\$ -
Owners of the Fund		-	40,027
Non-controlling interests	11	(71)	-
Total comprehensive income (loss) for the period		\$ (252)	\$ 40,027
Earnings per share			
Basic and diluted earnings per share	11	\$ 0.0217	\$ -

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Cash Flows (unaudited)

		Three months ended	
		March 31, 2011	March 31, 2010
(thousands of Canadian dollars)	Notes		
Cash Flows from Operating Activities			
Net income		\$ 389	\$ 41,505
Items not affecting cash:			
Amortization of property and equipment	8	857	809
Amortization of intangible assets	8	1,872	1,888
Accretion of convertible debentures		178	54
Deferred income taxes	7	2,493	(349)
Change in fair value of financial instruments	15	(186)	(42,573)
Distributions declared to unitholders included in net income		-	5,111
Interest paid		(2,937)	(1,382)
Income taxes paid		(1,203)	(123)
Change in non-cash operating working capital	13	1,542	(9,945)
Net Cash from Operating Activities		\$ 3,005	\$ (5,005)
Cash Flows from Financing Activities			
Payments on principal of notes payable		(269)	(627)
Payments on principal of term debt		(31,222)	(11,306)
Dividends paid to shareholders		(4,101)	-
Distributions paid to unitholders		-	(5,102)
Distributions paid to non-controlling interest		(1,340)	-
Distributions paid to holders of exchangeable interest liabilities		-	(2,010)
Advances from (payments to) related parties	10	(6,000)	26,064
Issue of share capital	11	268	-
Proceeds of issuance of convertible debentures, net of transaction costs	6	54,619	-
Net Cash from Financing Activities		\$ 11,955	\$ 7,019
Cash Flows from Investing Activities			
Purchase of property and equipment	8	(590)	(460)
Acquisitions, net of cash acquired	16	(7,408)	(747)
Net Cash from Investing Activities		\$ (7,998)	\$ (1,207)
Effect of foreign exchange rate fluctuations on cash held	12	(444)	(1,171)
Net increase in cash and cash equivalents		\$ 6,518	\$ (364)
Cash and cash equivalents, beginning of period		3,662	6,940
Cash and Cash Equivalents, End of Period		\$ 10,180	\$ 6,576

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

		Three months ended	
		March 31,	March 31,
(thousands of Canadian dollars)	Notes	2011	2010
Share Capital			
Share capital, beginning of period		\$ -	\$ -
Issuance upon conversion from trust to corporation	6	174,610	-
Shares issued from treasury	11	268	-
Share Capital, End of Period		\$ 174,878	\$ -
Deficit			
Deficit, beginning of period		(66,847)	(122,693)
Net income attributable to owners of the Company		280	-
Net income attributable to owners of the Fund		-	41,505
Dividends declared to shareholders		(3,569)	-
Deficit, End of Period		\$ (70,136)	\$ (81,188)
Convertible Debentures - Equity Component			
Convertible debentures, beginning of period		-	-
Reclassification upon conversion from trust to corporation		2,646	-
Issuance of convertibles debentures		3,206	-
Convertible Debentures, End of Period		\$ 5,852	\$ -
Accumulated Other Comprehensive Loss			
Accumulated other comprehensive loss, beginning of period		(3,958)	-
Other comprehensive loss attributable to shareholders		(461)	(1,478)
Accumulated Other Comprehensive Loss, End of Period		\$ (4,419)	\$ (1,478)
Total Shareholders' Equity		\$ 106,175	\$ (82,666)
Non-controlling Interest			
Non-controlling interest, beginning of period		-	-
Reclassification upon conversion from a trust to a corporation		67,899	-
Total comprehensive income attributable to non-controlling interests	11	(71)	-
Distributions		(1,340)	-
Non-controlling Interest, End of Period		\$ 66,488	\$ -
Total Equity, End of Period		\$ 172,663	\$ (82,666)

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

IBI Group Inc. (the "Company") is a company incorporated pursuant to the provisions of the Canada Business Corporations Act (the "CBCA") on June 30, 2010 and became the successor to IBI Income Fund (the "Fund"), an unincorporated, open-ended limited purpose trust established under the laws of Ontario.

The Fund was created on July 23, 2004 to indirectly acquire the outstanding Class A partnership units of IBI Group, a general partnership formed under the laws of the Province of Ontario that carries on business. IBI Group also issued Class B partnership units to IBI Group Management Partnership (the "Management Partnership"), the entity that carried on the operations of the Fund prior to its acquisition by the Fund.

The Fund completed a conversion from an income trust to a corporate structure by way of a court-approved Plan of Arrangement under the CBCA on January 1, 2011 (the "Arrangement"). Pursuant to the Arrangement, holders of Fund Units received one Common Share of the Company for each Fund Unit held. In conjunction with the Arrangement, the Fund and IBI Holding Trust were wound-up effective January 1, 2011. As a result of the Arrangement, the Company now owns, directly or indirectly, the limited partnership units of IBI Group L.P. and the Class A Units of IBI Group as well as the common shares of IBI GP Holdings Limited and IBI GP Limited.

As at March 31, 2011, the Management Partnership holds 5,025,778 Class B partnership units representing 28.0% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 3,245,650 common shares of the Company, representing a total ownership of approximately 46.0% of the Company. The Management Partnership also holds 5,025,778 non-participating voting shares of the Company, which together with the 3,245,650 common shares of the Company held by the Management Partnership and affiliated partnerships, represents approximately 46.0% of the voting shares of the Company on a partially diluted basis, assuming the exchange of the Class B partnership units for common shares of the Company.

Through IBI Group, the Company 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.

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol "IBG". The Company's registered head office is 230 Richmond Street West, 5th Floor, Toronto Ontario, M5V 1V6.

NOTE 2: STATEMENT OF COMPLIANCE**(a) Statement of Compliance**

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the “consolidated group”) have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). These are the Company’s first interim condensed consolidated financial statements in accordance with IFRS 1, *First-time Adoption of IFRS*. Certain information and footnote disclosures which are considered material to the understanding of the Company’s interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies that the Company expects to adopt in its first IFRS annual consolidated financial statements for the year ended December 31, 2011. Those accounting policies are based on the IFRS standards and IFRIC interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

The consolidated financial statements of the Company’s predecessor, the Fund, were previously prepared in accordance with Pre-changeover Accounting Standards (“PCAS”) under Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). PCAS differs in many areas from IFRS and as a result, certain accounting, valuation and consolidation methods previously applied in the Fund’s PCAS financial statements have been amended in order to be compliant with IFRS. 2010 comparative balances have been restated to reflect these adjustments. Reconciliations and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the consolidated group is provided in note 19.

(b) Basis of measurement

These interim condensed consolidated financial statements were prepared on a going concern basis. Amounts are recorded under the historical cost convention, except for certain financial liabilities measured at fair value through profit or loss.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the Company and its Canadian subsidiaries, including IBI Group, operate (the “functional currency”).

All amounts presented in Canadian dollars have been rounded to the nearest thousand.

(d) Critical accounting estimates and judgments

The preparation of these interim condensed consolidated financial statements in accordance with IAS 34 requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the period covered by the interim condensed consolidated financial statements.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Valuation of work in process (see note 3(d) below);
- Determining of allowance for doubtful accounts receivable (see note 3(l) below);
- Determining deferred revenue (see note 3(c) below)
- Establishing fair values for work in process, and identifiable property, equipment and intangible assets acquired in business combinations (see note 16);
- Establishing valuation allowance for deferred tax assets relating to future utilization of tax loss carryforwards;
- Selecting inputs, including fair value multiples, discount rates, and forecasts used in calculating the recoverable amount for testing impairment of non-financial assets (see note 9(b)); and
- Measuring fair value of financial instruments (see note 6).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise indicated, the significant accounting policies followed by the Company set out below have been applied consistently to all periods presented in these interim condensed consolidated financial statements as well as in preparing the opening statement of financial position as at January 1, 2010 reflecting the transition to IFRS.

(a) Basis of consolidation*Subsidiaries*

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity in order to obtain benefit from the activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that effective control commences, and are de-consolidated from the date control ceases.

Jointly controlled operations

Joint ventures are entities over which the Company has control, either alone or together with one or more affiliated entities. Joint ventures are accounted for using the proportionate consolidation method, where the consolidated financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint venture, as well as its share of the income of the joint operation and the expenses the Company incurs.

Transactions eliminated on consolidation

Transactions, balances, income and expenses incurred within the consolidated group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest in IBI Group is exchangeable into the common shares of the Company, and, prior to the conversion to a corporation, Fund units. As the Fund units were classified as liabilities prior to conversion, the exchangeable units were also liability classified and no non-controlling interest existed. On conversion, the exchangeable units become exchangeable into common shares and are reclassified to non-controlling interest. Changes in the equity of IBI Group and distributions to the non-controlling interest are recorded in non-controlling interest from that date forward.

(b) Foreign currency translation

Amounts included in the financial statements of the Company's subsidiaries are measured using the functional currency of the respective entity. Assets and liabilities of foreign operations denominated in functional currencies other than Canadian dollars are translated at the exchange rates in effect at each period-end date. Revenue and expenses are translated into Canadian dollars at the average rates of exchange for the period. The resulting exchange gains or losses on translation are recognized as part of other comprehensive loss in the statement of comprehensive. Cumulative translation gains and losses are recorded in accumulated other comprehensive loss in equity.

Transactions in foreign currencies are translated to the functional currency of the respective entity at exchange rates at the dates of the transactions. Foreign exchange gains and losses on such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the respective entity are recorded in income in the year in which they occur.

References to "\$" in these interim condensed consolidated financial statements denote Canadian dollars and references to "US\$" are to U.S. dollars.

(c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the revenue cost approach. Stage of completion is measured by reference to labour costs incurred to date as a percentage of total estimated labour costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. The effect of revisions to estimated revenues and costs is recorded when the amounts are known or can be reasonably estimated. Where total contract costs exceed, or are expected to exceed, revenues, the anticipated loss is immediately recognized as an expense.

Accounts receivable is valued at net realizable value (refer to note 3(l) below for further discussion on financial instruments).

(d) Work in process

Work in process represents the fee revenue and recoverable disbursements which have not been billed but are expected to be billed and collected from clients for contract work performed to date, and is valued at estimated net realizable value.

Billings in excess of time value incurred on jobs in progress, for which future services will be provided, are included in deferred revenue on the consolidated statement of financial position.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand. Cash balances, which the Company has the ability and intent to offset, are used to reduce reported bank indebtedness.

(f) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Office furniture and equipment	Diminishing balance	20%
Electronic data processing equipment	Straight line	2 years
Vehicles	Diminishing balance	20%
Leasehold improvements	Straight line	Term of lease

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(g) Intangible assets

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to all other assets acquired, less liabilities assumed, based on their fair values at the date of acquisition.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill is measured at cost less accumulated impairment losses (refer to note 3(h) below for impairment discussion).

When the carrying amount of goodwill exceeds the fair value of goodwill, an impairment loss is recognized in the amount equal to the excess and is presented as a charge in the consolidated statements of comprehensive income.

Other intangible assets

Other intangible assets are initially recorded at fair value at their acquisition date and stated at cost less accumulated amortization and impairment losses, where applicable. The cost of other intangible assets with determinable lives is amortized over the period in which the benefits of such assets are expected to be realized, as follows:

Asset	Basis	Amortization period
Customer relationships	Straight line	10 years
Contracts backlog	Straight line	1-2 years
Non-competition provisions	Straight line	3-4 years

(h) Impairment of non-financial assets

The Company evaluates the recoverability of non-financial assets, including property and equipment, intangible assets with determinable lives and goodwill on an annual basis or when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The determination of recoverability is based on the higher of value in use and fair value less costs to sell.

For the purposes of assessing impairment where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs is estimated. A CGU is the smallest identifiable group of assets for which there are separately identifiable cash inflows.

Goodwill is allocated to CGUs for the purpose of impairment testing based on the level at which management monitors the goodwill. The allocation has been made based on which CGUs will benefit from the business combination in which the goodwill arose.

The carrying amount of a CGU includes the carrying amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis and are expected to generate the future cash inflows.

An impairment loss is recognized as a current charge against income when a CGU's carrying amount exceeds its recoverable amount. The carrying amount of the CGU is reduced first, by the carrying amount of any goodwill allocated to the CGU, and then on a pro rata basis to the carrying amount of the other assets in the unit.

(i) Income taxes

Income tax expense consists of current tax charge and the change in deferred tax assets and liabilities. Current tax and deferred tax is recognized in income except to the extent that it relates to a business combination, or items recognized directly in equity.

Current tax represents the current tax payable (receivable) on the taxable income (loss) for the period, calculated in accordance with the rates and legislation of the respective tax jurisdiction in which the

entity operated, enacted or substantively enacted as at the date of the statement of financial position, and any adjustment to taxes payable (recoverable) in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of the expected income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities in the interim condensed consolidated financial statements and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are evaluated at each reporting period and if it is no longer probable that the related tax benefit will be realized, a valuation allowance is recorded against the asset and charged against the income reported in the period. Deferred tax liabilities are always recorded in full.

(j) Share-based payments

The Company operates a cash-settled share-based compensation plan ("Deferred Share Plan") which allows directors to receive director fees in the form of deferred shares rather than cash. These awards are accounted for using fair value method such that the fair value of the shares at their vesting date, including a distribution credit, together with subsequent changes in the market price are recorded as salaries, fees and employee benefits expense until settled.

(k) Business combinations

Acquisitions prior to January 1, 2010

As discussed in note 19 below, as part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. Goodwill relating to acquisitions that occurred prior to January 1, 2010 represents the amount recognized under PCAS.

Acquisitions on or after January 1, 2010

Business combinations are accounted for by applying the acquisition method, which requires identifying the acquirer, determining the acquisition date, recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and recognizing and measuring goodwill or a gain from a bargain purchase. The results of operations of acquirees from the respective dates of acquisition are included in the statement of comprehensive income.

If the consideration the Company transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement, the Company recognizes the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Any changes in this fair value is recorded in the statement of comprehensive income.

Acquisition-related costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs; and costs of registering and issuing debt and equity securities. These costs are accounted for as other operating expenses in the statement of comprehensive income in the periods in which the costs are incurred and the services are received.

(I) Financial instruments

All financial assets and financial liabilities are required to be classified into one of the following categories:

- Financial assets are to be classified as either fair value through profit or loss ("FVTPL"), available-for-sale, held-to-maturity investments or loans and receivables; and
- Financial liabilities are to be classified as either FVTPL or other liabilities.

All financial assets and financial liabilities are to be carried at fair value in the statement of financial position, with the exception of held-to-maturity financial assets, loans and receivables and other financial liabilities which are measured at amortized cost. The table below summarizes the classification and measurement of the Company's financial assets and liabilities on its interim statement of financial position:

Asset	Classification	Measurement
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Work in process	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Deferred share plan liability ¹	FVTPL	Fair value
Deferred unit plan liability ²	FVTPL	Fair value
Due to related parties	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Term debt	Other liabilities	Amortized cost
Unrealized interest rate swap losses	FVTPL	Fair value
Long-term debt	Other liabilities	Amortized cost
Convertible debentures – debt instrument	Other liabilities	Amortized cost
Convertible debentures – embedded derivative	FVTPL	Fair value
Trust units	FVTPL	Fair value
Exchangeable interest liability of the trust	FVTPL	Fair value

¹ The deferred share plan liability is grouped with accounts payable and accrued liabilities on the March 31, 2011 statement of financial position. See note 17 for further discussion.

² The deferred unit plan liability is grouped with accounts payable and accrued liabilities on the 2010 comparative statements of financial position. See note 17 for further discussion.

Financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the statement of financial position. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method, less any net impairment losses.

Impairment

The Company's policy is to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets carried at amortized cost excluding accounts receivable and work in process, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of these financial assets is directly reduced by the impairment loss.

The Company maintains an allowance for doubtful accounts on accounts receivable. The estimate is based on the best assessment of the collectability of the related receivable balance based, in part, on the age of the outstanding receivables and on the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction is recognized in impairment expense in the statement of comprehensive income.

An allowance account is also maintained on work in process, measured by the estimated amount of unbilled labour costs that are expected not to be billed. When work in process is determined not able to be recovered, the amount is written off against the allowance account.

Subsequent recoveries of the amounts previously written off are charged against the allowance account.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Debt securities issued and subordinated liabilities are recognized at fair value on the date that they originated. Other financial liabilities are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other liabilities.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

Held-for-trading

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. These derivative instruments are categorized as held for trading. The Company enters into interest rate swap agreements from time to time to manage the risk associated with interest rate cash flow to the extent that its credit facilities are based on floating rates of interest. These agreements are classified as derivative financial instruments, and recognized as such at fair value in the statement of financial position. Changes in fair value of these instruments are recognized within other finance costs (income) in the statement of comprehensive income.

Designated at FVTPL on initial recognition

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the statement of comprehensive income in the period in which they arise.

For the 2010 comparative periods, management has designated the trust units, the exchangeable interest liability and the embedded derivative conversion option relating to the convertible debentures as FVTPL. See note 19 regarding the IFRS reconciliations for further discussion.

(ii) Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are carried at amortized cost using the effective interest rate method.

Hybrid financial instruments

Financial instruments with embedded derivative liabilities are accounted for as hybrid financial instruments. The Company had hybrid financial instruments in 2010 when the embedded derivative conversion option right of the convertible debentures gave the right to the holder to convert into a financial liability, the trust units of the Fund.

An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire instrument is not measured at fair value with changes in fair value recognized in the income statement.

Embedded derivatives are accounted for at FVTPL, recorded at fair value on the statement of financial position with changes recognized in statement of comprehensive income.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into share capital at the option of the holder. The liability component of a compound financial instrument is measured initially at fair value, calculated as the net present value of the liability without a conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

(m) Leases

The substance of the transaction at inception of the lease determines whether leases are classified as either operating leases or finance leases. Any modifications to the terms of a lease requires reassessment by the Company of the classification of the lease.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease, net of any incentives received from the lessor, are recognized in the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance lease

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the

obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

NOTE 4: IFRSs NOT YET ADOPTED

(a) IFRS 7 – Financial Instruments – Disclosures

On October 7, 2010, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures*, which increase the disclosure requirements for transactions involving the transfer of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment to its first interim condensed consolidated financial statements in 2012. The Company is currently assessing the effects of the amendments.

(b) IAS 12 – Deferred tax

On December 20, 2010 the IASB issued amendments to IAS 12, *Income Taxes* ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value, effective for annual periods beginning on or after January 1, 2012. The Company does not hold investment property and does not plan to in the future, therefore the amendment to the standard will likely not affect its financial reporting.

(c) Accounting standards to be adopted for the years beginning on or after January 1, 2013

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2011, and have not been applied in preparing the interim condensed consolidated financial statements. These standards become effective for the 2013 fiscal year and the extent of their impact on the consolidated financial statements of the Company has not yet been assessed. The new standards that have been issued are IFRS 9, *Financial Instruments*, which is expected to impact the classification and measurement of financial assets; IFRS 10, *Consolidated Financial Statements*, establishing principles for the presentation and preparation of consolidated financial statements; IFRS 11, *Joint Arrangements*, which sets out principles for the financial reporting of joint arrangements; IFRS 12, *Disclosure of Interests in Other Entities*, to address an interest in a subsidiary, a joint arrangement, as associate or an unconsolidated structured entity; and finally, IFRS 13, *Fair Value Measurement*, which establishes the principles to define, measure and disclose fair values.

NOTE 5: SEGMENT INFORMATION

The Company is an international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. The Company considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments.

(a) Operating segments

Operating segments of the Company are defined as components 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 the Company.

The operations of the Company are primarily consulting services, providing services throughout North America and internationally.

(b) Geographic segments

Geographically, the financial information assessed by the Chief Executive Officer of the Company for decision-making purposes is segmented into Canada, U.S. and International. The unallocated amounts pertain to expenses relating to convertible debentures, taxes, and non-cash finance costs incurred by the Company and the Fund. The following table demonstrates the financial information segmented geographically for the three months ended March 31, 2011, with comparatives for the three months ended March 31, 2010:

	Three months ended March 31, 2011				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Property and equipment	\$ -	\$ 4,902	\$ 1,054	\$ 1,156	\$ 7,112
Intangibles	-	23,169	6,473	4,120	33,762
Goodwill	-	130,908	18,718	11,543	161,169
Total assets	\$ -	\$ 400,093	\$ 16,063	\$ 39,352	\$ 455,508
Revenues	\$ -	\$ 48,813	\$ 16,889	\$ 12,083	\$ 77,785
Net income for the period	\$ (4,989)	\$ 2,926	\$ 117	\$ 2,335	\$ 389

	Three months ended March 31, 2010				
	Unallocated Fund income	Canada	U.S.	International	Total
Property and equipment	\$ -	\$ 4,877	\$ 1,356	\$ 616	\$ 6,849
Intangibles	-	23,276	3,943	-	27,219
Goodwill	-	127,506	18,742	1,656	147,904
Total assets	\$ -	\$ 365,196	\$ 19,988	\$ 28,981	\$ 414,165
Revenues	\$ -	\$ 43,164	\$ 18,938	\$ 5,973	\$ 68,075
Net income for the period	\$ 29,898	\$ 9,323	\$ 16	\$ 2,268	\$ 41,505

NOTE 6: FINANCIAL INSTRUMENTS**(a) Indebtedness**

IBI Group has credit facilities totalling \$150,000, consisting of a \$10,000 swing facility (the "Swing Facility"), a \$60,000 revolver facility (the "Revolver Facility") and an \$80,000 term facility (the "Term Facility"). The availability of each of the credit facilities is subject to compliance with certain financial and other covenants. The credit facilities 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 common shares of the Company and Class B units of IBI Group, (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, 2011, IBI Group had borrowings of \$5,250 under the Swing Facility and no borrowings under the Revolver Facility, compared with \$4,650 of borrowings under the Swing Facility and \$30,000 of borrowings under the Revolver Facility that were in place as at December 31, 2010.

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, 2011, IBI Group had borrowings of \$48,240 (December 31, 2010 - \$48,865) under the Term Facility. Transaction costs associated with modifications to these facilities are capitalized against the long-term debt balance on the statement of financial position and expensed under the effective interest method. As at March 31, 2011, these costs amounted to \$1,197 (December 31, 2010 - \$959). The net long-term debt after transaction costs on the statement of financial position was \$47,043 as at March 31, 2011 (December 31, 2010 - \$47,906).

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to US\$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, 2011, IBI Group had issued bid bonds in the amount of \$9,500 (December 31, 2010 - \$9,293) 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.

As at March 31, 2011, the Company had \$24,000 (December 31, 2010 - \$24,000) notional amounts of interest-rate swap agreements outstanding with a fair value of the swap liability of \$442 (December 31, 2010 - \$628). The terms of these swaps correspond to the terms of the underlying interest payments on the term facility, which represents economic hedge of the risks.

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

(b) Convertible debentures

The Company has three series of convertible debentures outstanding as at March 31, 2011.

6.0% Debentures

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 totaling \$57,500. Interest on the 6.0% Debentures is payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The 6.0% Debentures are 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 are 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 Toronto Stock Exchange ("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).

The 6.0% Debentures are compound financial instruments and the total proceeds of the offering, less applicable interest costs at the time of issue, were allocated between a liability for the debenture of \$51,591 and equity component for the conversion feature of \$3,206. Capitalized issue costs related to the 6.0% Debentures are prorated between the equity component and debenture, with those recorded against the debenture amortized using the effective interest method. The equity component, an embedded derivative, reflects the value of the conversion option of the 6.0% Debentures at the issuance date.

5.75% Debentures

In conjunction with the prospectus offering that closed April 28, 2010, the Company's predecessor, the Fund, issued convertible redeemable 5.75% debentures ("5.75% Debentures") due June 30, 2017 totaling \$20,000. Interest on the 5.75% Debentures is payable semi-annually in arrears on June 30 and December 31 each year commencing December 31, 2010. Subsequent to the corporate conversion of the Fund to the Company, the 5.75% Debentures are convertible into shares of the Company at the option of the holder at a conversion price of \$20.52 per unit. The 5.75% Debentures are redeemable by the Company at a price of \$1,000 per 5.75% 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 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 \$20.52).

For the period ended March 31, 2011, the 5.75% Debentures are recorded as compound financial instruments. The liability component is valued at \$17,220. It was recorded at fair value on the date of issuance and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. The equity component for the conversion feature of \$896 is measured

at the fair value on the date of conversion to a corporation. Capitalized issue costs related to the 5.75% Debentures are prorated between the equity component and debenture, with those recorded against the debenture amortized using the effective interest method.

7.0% Debentures

In conjunction with the prospectus offering that closed September 30, 2009, the Fund issued convertible redeemable 7.0% debentures ("7.0% Debentures") due December 31, 2014 totaling \$46,000. Interest on the 7.0% is payable semi-annually in arrears on June 30 and December 31 each year commencing December 31, 2009. The 7.0% Debentures are convertible into shares of the Company at the option of the holder at a conversion price of \$19.17 per share. The 7.0% Debentures are redeemable by the Company at a price of \$1,000 per 7.0% 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 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 \$19.17).

For the period ended March 31, 2011, the 7.0% Debentures are recorded as compound financial instruments. The liability component is valued at \$41,047. It was recorded at fair value on the date of issuance and measured subsequently at amortized cost using the effective interest method over the life of the 5.75% Debentures. The equity component for the conversion feature of \$1,750 is measured at the fair value on the date of conversion to a corporation. Capitalized issue costs related to the 7.0% Debentures are prorated between the equity component and debenture, with those recorded against the debenture amortized using the effective interest method.

The movement in Convertible Debentures and related embedded derivative for the three months ended March 31, 2011 is as follows:

	Liability component	Embedded derivative (liability)	Equity component	Total
Balance, January 1, 2011	\$ 58,658	\$ 2,646	\$ -	\$ 61,304
Reclassification upon conversion to a corporation	-	(2,646)	2,646	-
Issuance of convertible debentures	51,591		3,206	54,797
Accretion of convertible debenture issue cost	178		-	178
Balance, March 31, 2011	\$ 110,427	\$ -	\$ 5,852	\$ 116,279

For the 2010 comparative year, the Fund units are classified as financial liabilities at FVTPL on the statement of financial position (see note 19.3 for first-time adoption of IFRS). Therefore, for the periods prior to January 1, 2011, the convertible debentures are classified as a hybrid financial liability

since the embedded derivative allowed the holder to redeem the convertible debentures for units of the Fund, which were financial liabilities.

The underlying debt component of the convertible debentures for the 2010 comparative periods is measured at amortized cost. The non-equity derivative liability is designated as FVTPL, with changes in the fair value of the conversion option recorded in finance costs (income) in the 2010 comparative period.

The movement in convertible debentures for the year ended December 31, 2010 is as follows:

	Liability component	Embedded derivative (liability)	Total
Balance, January 1, 2010	\$ 41,047	\$ 5,628	\$ 46,675
Issuance of convertible debentures	17,220	1,696	18,916
Change in fair value	-	(4,678)	(4,678)
Accretion of convertible debenture issue cost	391	-	391
Balance, December 31, 2010	\$ 58,658	\$ 2,646	\$ 61,304

(c) Financial assets and liabilities

The carrying amount of the Company's financial instruments as at March 31, 2011 is as follows:

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL		Total
			Held-for- trading	Designated FVTPL	
Financial assets					
Cash and cash equivalents	\$ 10,180				\$ 10,180
Accounts receivable	128,228				128,228
Work in process	101,354				101,354
Total	\$ 239,762				\$ 239,762
Financial liabilities					
Accounts payable and accrued liabilities		46,283		1,959	48,242
Due to related parties		20,000			20,000
Notes payable		14,943			14,943
Term debt		5,250			5,250
Income tax payable		2,540			2,540
Dividend payable		1,861			1,861
Unrealized interest rate swap gain			442		442
Long-term debt		47,043			47,043
Convertible debentures		110,427			110,427
Total		\$ 248,347	\$ 442	\$ 1,959	\$ 250,748

The carrying amount of the Fund's financial instruments as at December 31, 2010 is as follows:

	Loans and receivables	Other financial liabilities	Financial liabilities at FVTPL		Total
			Held-for- trading	Designated FVTPL	
Financial assets					
Cash and cash equivalents	\$ 3,662				\$ 3,662
Accounts receivable	134,038				134,038
Work in process	90,884				90,884
Total	\$ 228,584				\$ 228,584
Financial liabilities					
Accounts payable and accrued liabilities		50,638		1,904	52,542
Due to related parties		26,000			26,000
Notes payable		11,046			11,046
Term debt		34,650			34,650
Income tax payable		2,115			2,115
Distributions payable		2,393			2,393
Unrealized interest rate swap gain			628		628
Long-term debt		47,906			47,906
Convertible debentures		58,658			58,658
Convertible debentures – derivative liability				2,646	2,646
Trust units				174,610	174,610
Exchangeable interest liability				67,899	67,899
Total	\$ 233,406	\$ 628	\$ 247,059	\$ 481,093	

NOTE 7: CONVERSION TO A CORPORATION

The impact of the conversion from an income trust to a corporation completed January 1, 2011 has had the following impacts on the interim condensed consolidated financial statements of the Company:

(a) Income taxes*Current taxes*

The conversion from an open-ended trust to a corporate entity results in the Company being subject to current tax on income at the Company level, whereas the Fund was not subject to tax on any income distributed to unitholders. The current tax attributable to the Company on a stand-alone basis was \$605 for the three months ended March 31, 2011. For 2010 and prior years, no current tax expense was recorded at the Fund level.

Deferred taxes

The deferred tax asset or liability of an open-ended trust must be calculated as the gross temporary differences applying the highest personal tax rate, 46% in 2010, as if the Fund did not distribute any of its income.

The deferred tax asset or liability of a corporation is based on the temporary timing of income reporting differences applied at the corporate tax rate of the relevant jurisdiction.

As a result, at the date of conversion, January 1, 2011, the deferred tax asset of the Fund is remeasured applying the average deferred corporate tax rate of approximately 26%. The resulting difference between the amount calculated at the 26% rate as compared to the 46% rate is approximately \$3,131, recorded as deferred tax expense in the statement of comprehensive income for the three months ended March 31, 2011.

(b) Conversion costs

The conversion to a corporation also resulted in the company incurring substantial additional professional fees of \$248 in the three months ended March 31, 2011 (\$498 for the year ended December 31, 2010) which are recorded as other operating expenses on the statement of comprehensive income.

NOTE 8: PROPERTY AND EQUIPMENT**(a) Carrying amount**

Property and equipment consist of the following:

	Office furniture and equipment		Electronic data processing equipment		Vehicles	Leaseholds		Total		
Cost										
January 1, 2010	\$	4,683	\$	9,448	\$	168	\$	5,162	\$	19,461
Additions:										
Capital expenditures		466		1,655		29		122		2,272
Acquisitions		257		379		-		50		686
Disposals		(71)		(68)		(1)		(35)		(175)
Foreign currency translation loss		(45)		(52)		(1)		(78)		(176)
December 31, 2010	\$	5,290	\$	11,362	\$	195	\$	5,221	\$	22,068
Additions:										
Capital expenditures		81		325		4		180		590
Acquisitions		368		321		-		383		1,072
Disposals		(33)		(59)		-		(59)		(151)
Foreign currency translation loss		(31)		(68)		(2)		20		(81)
March 31, 2011	\$	5,675	\$	11,881	\$	197	\$	5,745	\$	23,498

Accumulated depreciation

January 1, 2010	\$	2,443	\$	7,450	\$	20	\$	2,331	\$	12,244
Current year depreciation		678		1,904		57		1,056		3,695
Disposals		(66)		(63)		-		(35)		(164)
Foreign currency translation gain		(10)		(19)		(2)		(11)		(42)
December 31, 2010	\$	3,045	\$	9,272	\$	75	\$	3,341	\$	15,733
Current year depreciation		154		404		7		292		857
Disposals		(33)		(59)		-		-		(92)
Foreign currency translation gain		(15)		(69)		(2)		(26)		(112)
March 31, 2011	\$	3,151	\$	9,548	\$	80	\$	3,607	\$	16,386

Carrying amount

January 1, 2010	\$	2,240	\$	1,998	\$	148	\$	2,831	\$	7,217
December 31, 2010	\$	2,245	\$	2,090	\$	120	\$	1,880	\$	6,335
March 31, 2011	\$	2,524	\$	2,333	\$	117	\$	2,138	\$	7,112

Fully depreciated assets are retained in asset and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in income.

(a) Acquisitions and disposals

During the three month period ending March 31, 2011 the Company acquired assets with a cost of \$1,662 (year ended December 31, 2010: \$2,958), including assets acquired through business combinations of \$1,072 (year ended December 31, 2010: \$686).

NOTE 9: INTANGIBLE ASSETS AND GOODWILL**(a) Carrying amount**

The following table presents the Company's goodwill and intangible assets as at March 31, 2011 and December 31, 2010:

	Goodwill	Contract backlog	Client relationships	Other	Total
Cost					
Balance at January 1, 2010	\$ 162,193	\$ 27,182	\$ 25,912	\$ 2,554	\$ 217,841
Arising from acquisitions	12,490	2,084	4,555	1,076	20,205
Adjustment to prior year acquisition	(740)	-	-	-	(740)
Foreign exchange translation loss	(986)	(23)	(72)	(300)	(1,381)
Balance at December 31, 2010	\$ 172,957	\$ 29,243	\$ 30,395	\$ 3,330	\$ 235,925
Arising from acquisitions	3,687	2,576	4,412	494	11,169
Adjustment to prior year acquisition	-	-	-	-	-
Foreign exchange translation loss	(266)	(40)	(42)	(25)	(373)
Balance at March 31, 2011	\$ 176,378	\$ 31,779	\$ 34,765	\$ 3,799	\$ 246,721
Accumulated amortization and impairment					
Balance at January 1, 2010	\$ 15,209	\$ 23,716	\$ 3,609	\$ 160	\$ 42,694
Amortization for the year	-	4,049	2,336	1,040	7,425
Impairment expense	-	-	-	-	-
Foreign exchange translation gain	-	(99)	(9)	(32)	(140)
Balance at December 31, 2010	\$ 15,209	\$ 27,666	\$ 5,936	\$ 1,168	\$ 49,979
Amortization for the period	-	887	738	248	1,873
Foreign exchange translation gain	-	(41)	(6)	(15)	(62)
Balance at March 31, 2011	\$ 15,209	\$ 28,512	\$ 6,668	\$ 1,401	\$ 51,790

Carrying amount

At January 1, 2010	\$ 146,984	\$ 3,466	\$ 22,303	\$ 2,394	\$ 175,147
At December 31, 2010	\$ 157,748	\$ 1,577	\$ 24,459	\$ 2,162	\$ 185,946
At March 31, 2011	\$ 161,169	\$ 3,267	\$ 28,097	\$ 2,398	\$ 194,931

(b) Impairment testing for CGUs containing goodwill

The Company performed its annual test for goodwill impairment in the fourth quarter of 2010 in accordance with its policy described in note 3. For the purposes of assessing impairment where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is estimated. A CGU is defined as the smallest identifiable group of assets for which there is a separately identifiable cash inflows. The lowest level within the consolidated group at which the goodwill is monitored for internal management purposes depends on the timing and integration of legal entities acquired where goodwill arose on the business combination.

Where recently acquired subsidiaries are still operating as if they are an independent branch, i.e. negotiating, writing and collecting all contracts under predecessor name, not sharing significant resources or staff, etc. with IBI Group, the entity is considered an independent CGU.

Where groups of entities within the consolidated group share contracts, resources and contribute to the cash flows of one another, management assessed where independent cash flows could be identified by grouping the lowest number of entities, which is by geographic location.

In 2010, the Company had 15 CGUs, all of which include goodwill, intangible assets, and property and equipment. The carrying value of these assets for significant CGUs as at the date of the annual impairment testing, December 31, 2010 is identified separately in the table below. "All other" comprises amounts allocated to the remaining CGUs:

	December 31, 2010				
	Goodwill	Intangibles	Property & equipment	Other net assets	Total carrying value
Ontario and western Canada region	\$ 80,746	\$ 4,609	\$ 2,506	\$ 127,827	\$ 215,688
Quebec region integrated firms	13,732	3,430	845	17,238	35,245
Page & Steele	16,664	7,838	173	(12,912)	11,763
Giffels	13,812	3,025	558	3,568	20,963
Nightingale Architects Limited ("NAL")	10,560	4,404	389	3,359	18,712
IBI US	7,363	88	357	2,519	10,327
All other	14,870	4,804	1,507	27,911	49,092
	\$ 157,747	\$ 28,198	\$ 6,335	\$ 169,510	\$ 361,790

The recoverable amount of each CGU was based on the higher of fair value less cost to sell and value in use, which was determined to be fair value less costs to sell for all CGUs. The Company applies the same methodology in determining the fair value less costs to sell of each CGU as is

applied in calculating the purchase price on acquisition of subsidiaries. The following factors are considered: size of the firm in terms of revenue and staffing levels, functional diversification, geographic diversification, consistency of revenue and earnings growth, strength of the management team and whether or not they plan on continuing with the practice. Based on an assessment of these, an appropriate earnings multiple is determined which will be used in the calculation of the fair value less costs to sell. The historical range of multiple is between 3 and 6, with 3 being for small single function firms and 6 being used for larger, more diverse firms. Where a CGU consists of a recently acquired subsidiary, the multiple derived from the above analysis is compared to the earnings multiple provided in valuation reports from third-party service providers in relation to the acquisition of that firm. The lesser of the two earnings multiples is used in the calculation of fair value less cost to sell.

The factor identified above is multiplied by an average of the historical EBITDA¹. This is based on average of the prior 3 to 5 year EBITDA¹ and management EBITDA¹ projections for the subsequent year. This amount represents the fair value of goodwill, intangibles and equipment of the CGUs. The remaining net assets of the CGUs are added to this amount to calculate the total fair value of the CGU. Costs to sell is calculated based on 3% of the total fair value so determined, which is in line with the average transaction costs in recent acquisitions.

The assumptions used were based on the Company's internal budget, financial reports for current and past periods, as well as multiples and historic EBITDA¹ figures provided by subsidiaries and third party advisors. In arriving at its budget, the Company considered past experience, economic trends such as GDP growth and inflation as well as industry and market trends. The projection also took into account the expected impact from new service initiatives, customer retention and integration programs, and the maturity of the markets in which the business operates.

In 2010, CGUs had fair values exceeding their carrying values and no impairment expense relating to non-financial assets was recorded.

NOTE 10: RELATED PARTY TRANSACTIONS

- Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, the Fund, 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. This amount was \$5,169 for the three months ended March 31, 2011 (three months ended March 31, 2010 - \$4,000).
- During the first quarter of 2010, 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 lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's indebtedness to its bank lender and is unsecured. The loan matures two years following the original issuance of the promissory note evidencing the loans. In February 2011, IBI Group repaid \$6,000 of the advance.

¹ References to "EBITDA" in respect of impairment testing in Note 9 is to earnings before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

- 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. The leases were entered into in 2002 at then current market rates of approximately \$1,800 per annum. 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 \$2,800.

On March 11, 2010, the buildings were sold to an outside party. As a result of this transaction, IBI Group extended its lease until December 31, 2013 and maintained the current market rental rates that it had been paying for premises. As the related party transaction ceased in 2010, there were no payments under the leases to related parties for the three months ended March 31, 2011 (Three months ended March 31, 2010 - total payments were approximately \$486 up to March 11, 2010).

NOTE 11: EQUITY

(a) Shareholders' equity

As at March 31, 2011, the Company's common share capital consisted of 12,942,073 shares issued and outstanding.

The Company's predecessor, the Fund, was an open-ended trust and its unit capital was treated as a liability (see note 19 on first time adoption of IFRS). Consequently no share capital was recorded on the consolidated financial statements for the 2010 comparative period.

Each share entitles the holder to one vote at all meetings of shareholders.

The Class B partnership units of IBI Group are indirectly exchangeable for shares on the basis of one share of the Company for each Class B subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2011, the units issued on such exchange would have represented a 28.0% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. At the time of issuance of the Class B partnership units prior to January 1, 2011, 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. On conversion to a corporation, the Non-Participating Voting units of the Fund were exchanged for Non-Participating Voting shares of the Company. The Class B partnership units have been recorded as a non-controlling interest in the interim condensed consolidated financial statements as at March 31, 2011. For the 2010 comparative periods, the Class B partnership units have been recorded as exchangeable units liability on the statement of financial position.

Issues

During the three months ended March 31, 2011, the Company issued 18 common shares at \$15.28 per share, for a total of \$268. In 2010, 186 units of the Company predecessor, the Fund, were issued with an average par amount of \$14.68 per unit. All issued shares and units are fully paid.

Dividends and distributions

As a result of the Company's conversion from a trust to a corporation, distributions to unitholders changed form to dividends to shareholders. For each of the three months ended March 31, 2011, the Company declared monthly dividends at a rate of \$0.092 cents per qualifying ordinary share for total dividends declared during the period of \$3,569.

The Company's predecessor, the Fund, made distributions to unitholders at a rate of \$0.133 per Fund unit during the three months ended March 31, 2010, for a total distribution of \$5,111. As the unit capital of the Fund was treated as a liability for the comparative period, distributions to unitholders were recorded as finance costs in the statement of comprehensive income.

Earnings per share

The calculation of basic and diluted earnings per share for the three months ended March 31, 2011 is demonstrated in the following table:

	Three months ended March 31, 2011
Net income attributable to owners of the Company	\$ 280
Weighted average common shares outstanding	12,927,797
Basic and diluted earnings per common share	\$ 0.0217

For the purposes of calculating diluted earnings per share, any impact of the convertible rights on the convertible debentures and exchange rights of the non-controlling interest are not included in the calculation of net earnings per common share or weighted average number of common shares outstanding for the three months ended March 31, 2011 as they would be anti-dilutive.

For the period ended March 31, 2010, the trust units are not considered ordinary units, therefore a calculation of earnings per share may not be presented.

(b) Non-controlling interest

On conversion to a corporation, non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company. Prior to the conversion to a corporation, the exchangeable units were exchangeable into Fund units. As the Fund units were classified as liabilities prior to conversion, the exchangeable units were also classified as a liability and non-controlling interest was not recorded in 2010 (see note 19.3 for explanation of IFRS).

The movement in non-controlling interest is shown in the body of the March 31, 2011 statement of equity. The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended March 31, 2011
Net income	\$ 389
Non-controlling interest share of ownership	28%
Net income attributable to non-controlling interest	\$ 109

	Three months ended March 31, 2011
Total comprehensive income	\$ (252)
Non-controlling interest share of ownership	28%
Total comprehensive income attributable to non-controlling interest	\$ (71)

NOTE 12: FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's statement of financial position, comprehensive income and cash flow in support of achieving dividend distribution targets, as well as sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

(a) Market risk

Interest Rate Risk

The Company's financing strategy is to access public capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs. The Company has floating-rate debt, which subjects it to interest rate cash flow risk.

The Company enters into interest rate swaps to convert a portion of its debt from floating to fixed rates. As at March 31, 2011, \$24,000 (December 31, 2010 - \$24,000) of interest rate swaps were outstanding. The terms of these swaps correspond to the terms of the underlying debt.

If the interest rate on the Company's variable rate loan balance as at March 31, 2011, had been 50 basis points higher, with all other variables held constant, net income for the year would have decreased by approximately \$147 after the impact of the swap. If the interest rate had been 50 basis points lower, there would have been an equal and opposite impact on net income.

If the interest rate on the Company's variable rate loan balance as at December 31, 2010, had been 50 basis points higher, with all other variables held constant, net income for the year would have decreased by approximately \$302 after the impact of the swap. If the interest rate had been 50 basis points lower, there would have been an equal and opposite impact on net income.

Currency Risk

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to utilize natural hedges to offset foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated financial assets and liabilities (such as cash balances, accounts receivable, work in process, accounts payable and term debt) held in the Company's Canadian operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities.

If the exchange rates had been \$0.01 higher or lower at March 31, 2011, with all other variables held constant, net income would have increased or decreased by \$18. If the exchange rates had been \$0.01 higher or lower at December 31, 2010, with all other variables held constant, net earnings would have increased or decreased by \$18.

(b) Credit risk

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable and work in process. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part on the age of the outstanding accounts receivable and on its historical collection and loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At March 31, 2011 there were 99 working days of revenue in accounts receivable, down from 111 days at December 31, 2010 and 110 days at March 31, 2010. The maximum exposure to credit risk at the date of the statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the interim condensed consolidated financial statements.

The credit risk for counterparties in accounts receivable at March 31, 2011 are not credit rated by the Company. Their maturities are detailed below:

	March 31, 2011	December 31, 2010
Current	\$ 35,391	\$ 39,701
30 to 90 days	27,903	29,059
Over 90 days	72,168	70,709
Allowance for impairment losses	(7,234)	(5,431)
Total	\$ 128,228	\$ 134,038

(c) Liquidity Risk

The Company strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

As at March 31, 2011, the Company had \$10,180 of cash and cash equivalents in addition to a total of \$96,510 of unutilized credit available under its Swing Facility, Revolver Facility, and Term Facility.

As at December 31, 2010, the Company had \$3,662 of cash and cash equivalents in addition to a total of \$66,485 of unutilized credit available under its Swing Facility, Revolver Facility, and Term Facility.

(d) Capital management

The Company'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 Company defines its capital as the aggregate of long-term debt and equity.

The Company 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 Company has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Company then raised equity through a public offering, using the proceeds to reduce the bank debt.

The Company 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 EBITDA¹ 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 March 31, 2011, the Company was in compliance with all covenants under its credit facilities. As at December 31, 2010, the Company was in compliance with all covenants under its credit facilities. As at March 31, 2010, the Company's predecessor, the Fund, had violated its fixed charge coverage ratio and was issued a waiver by the bank in July of 2010,

¹ References to "EBITDA" in note 12(d) is to the earnings before interest, income taxes, depreciation and amortization calculated using inputs measured using Canadian GAAP. EBITDA is not a recognized measure under Canadian GAAP nor IFRS and does not have a standardized meaning prescribed by Canadian GAAP or IFRS.

subsequent to the end of the reporting period. As a result, the debt is classified as current under IFRS.

There were no changes in the Company's approach to capital management during the three month period ended March 31, 2011.

NOTE 13: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended	
	March 31, 2011	March 31, 2010
Accounts receivable	\$ 5,810	\$ 4,310
Work in process	(10,470)	(8,244)
Prepaid expenses and other assets	684	(477)
Deferred charges	(238)	53
Accounts payable	(215)	(4,082)
Deferred revenue	1,768	(1,131)
Income taxes payable	1,628	(34)
Acquisition of working capital	2,575	(340)
Increase (decrease) in non-cash operating working capital	\$ 1,542	\$ (9,945)

NOTE 14: OPERATING LEASES

Non-cancellable operating leases where the Company is the lessee are payable as set out below. These amounts represent the minimum annual future lease payments, in aggregate, that the Company is required to make under existing operating lease agreements.

2011	\$ 16,912
2012	14,479
2013	11,600
2014	5,848
2015	4,627
Thereafter	6,158

The Company leases certain property and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period at the option of the Company.

NOTE 15: FINANCE COSTS (INCOME)

	Three months ended	
	March 31, 2011	March 31, 2010
Interest on long term debt	\$ 1,020	\$ 1,072
Interest on convertible debentures	1,679	805
Other	416	354
Interest expense, net	\$ 3,115	\$ 2,231
Amortization of deferred financing costs	\$ 120	\$ 87
Distributions to trust unitholders	-	5,111
Distributions to exchangeable interest holders	-	2,010
Change in fair value of derivative liabilities embedded in convertible debentures	-	(2,676)
Change in fair value of interest rate swap	(186)	(243)
Change in fair value of trust units	-	(29,902)
Change in fair value of exchangeable interest liability	-	(11,760)
Additional units issued in the period	-	-
Other	289	111
Other finance costs (income)	\$ 223	\$ (37,262)
Finance costs (income) for the period	\$ 3,338	\$ (35,031)

NOTE 16: ACQUISITIONS

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in the statement of comprehensive income. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule and the availability of information, 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 Company within one year from acquisition. 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.

In addition, consideration, specified in certain purchase agreements, may be based on future performance parameters. This contingent consideration is recognized at its fair value at the acquisition date. Any changes to the fair value of the contingent consideration after the acquisition date are recorded in other operating expenses.

(a) Acquisitions in 2011 and 2010*2011*

- In January 2011, IBI Group completed the acquisition of the practice of Cardinal Hardy Architectes, ("CHA") in Montreal, Quebec, effective January 3, 2011. CHA is a full service architectural practice with 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 business combination was structured as a share acquisition. The net purchase price for CHA was \$7,229, \$3,615 of which was paid on closing. In March 2011, IBI Group concluded arrangements for the acquisition of Bay Architects Inc., ("Bay") in Houston, Texas, effective March 31, 2011. 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 in the State of Texas.

The business combination was structured as a share acquisition. The net purchase price for Bay was \$7,587, \$3,793 of which was paid on closing.

2010

- Effective June 1, 2010, IBI Group acquired the practice of NAL.
- Effective February 1, 2010, IBI Group acquired the practice of MAAK Technologies Inc. ("MAAK").
- Effective December 31, 2010, IBI Group acquired the practice of CSM Engineering Ltd. ("CSM").

(b) Consideration transferred and net assets acquired

The aggregate consideration for these acquisitions was allocated as follows:

	Three months ended March 31, 2011	Year ended December 31, 2010
Cash consideration	\$ 7,408	\$ 16,111
Shares issued	-	1,044
Notes payable issued, due 2012 through to 2013		
To be settled in cash	7,408	7,594
To be settled in shares of the Company (2010 – units of the Fund)	-	1,340
Purchase price, net	\$ 14,816	\$ 26,089

Net working capital	\$	2,575	\$	6,400
Property and equipment		1,072		686
Intangible assets				
Contract backlog		2,576		2,084
Clients and relationships		4,412		4,555
Other		494		1,092
Goodwill		3,687		12,490
Deferred tax liability		-		(1,218)
Net assets acquired	\$	14,816	\$	26,089

Goodwill comprises the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree.

Additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. As at March 31, 2011, no adjustments were made to the Company's contingent consideration payable, which had been estimated and recorded on the date of the acquisition in 2010 and adjusted to fair value at December 31, 2010 (see note 19.3).

If the business combinations that occurred in 2011 had taken place at the beginning of 2011, revenue would be approximately \$6,100 higher than reported and net income would be approximately \$1,000 higher than reported.

If the business combinations that occurred in 2010 had taken place at the beginning of 2010, revenue for the fiscal year 2010 would have been approximately \$11,000 higher and the net income for the Company would have been approximately \$900 higher than reported.

In 2011, directly attributable acquisition-related costs of \$218 (December 31, 2010 – \$958) have been expensed and are included in other operating expenses in the statement of comprehensive income.

(c) Consideration paid and outstanding

Details of the consideration paid for current and past acquisitions are as follows:

	March 31, 2011
Cash consideration	\$ 7,408
Payments on notes payable from previous acquisitions	268
Total net cash paid	\$ 7,676

The total notes payable, contingent consideration outstanding, and adjustments to these obligations are as follows:

	Notes payable	Contingent consideration
Balance, January 1, 2010	\$ 21,728	\$ -
Additions for acquisitions in the period	8,934	1,551
Payments	(15,462)	-
Foreign exchange translation	1,688	-
Purchase price adjustments	(3,058)	-
Balance, December 31, 2010	\$ 13,830	\$ 1,551
Additions for acquisitions in the period	7,408	-
Payments	(268)	-
Foreign exchange translation	(128)	-
Purchase price adjustments	-	-
Balance, March 31, 2011	\$ 20,842	\$ 1,551

During the first quarter of 2011, the Company made no purchase price adjustments.

During the first quarter of 2010, the Fund adjusted the purchase price on the Young & Wright Architects (including Lawrence Doyle, Young & Wright Architects), Gruzen Samton, BFGC, SGA, and Tetra 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 Page + Steele, Martin + Marcotte Architects, and Rhon Ernest-Jones Consulting Engineers, Inc. These adjustments resulted in a decrease in net working capital of \$83, and a decrease in notes payable of \$83.

During the third quarter of 2010, the Fund adjusted the purchase price on the Page + Steele Incorporated and SGA Inc. acquisitions. These adjustments resulted in a decrease in net working capital of \$843, and a decrease in notes payable of \$843.

During the fourth quarter of 2010, the Fund adjusted the purchase price on the BFGC and Tetra acquisitions. These adjustments resulted in a increase in net working capital of \$30, a decrease in notes payable of \$835 and a decrease in goodwill of \$865.

Contingent consideration was recorded in relation to an acquisition occurring in 2010 (see note 19.3). The contingent consideration is payable in 2012, the amount dependant on whether the acquiree meets various future performance parameters. The Company uses the income approach to determine the fair value of contingent consideration. Based on the performance level of the acquiree at December 31, 2010, the Company increased the contingent consideration outstanding by \$1,551, which was recorded in other operating expenses. At March 31, 2011, the value was \$1,551.

NOTE 17: DEFERRED SHARE PLAN (FORMERLY THE “DEFERRED UNIT PLAN”)

The Company offers a deferred share plan (“DSP”) for members of the board of directors. Under the DSP, directors of the Company may elect to allocate all or a portion of their annual compensation in the form of deferred shares rather than cash. These shares are fully vested upon issuance and are recorded as a financial liability at FVTPL on the statement of financial position amounting to \$408. Directors can only redeem their DSPs for shares when they retire.

During the three months ended March 31, 2011, the Company granted 3,488 deferred shares, for a total of 27,632 deferred shares outstanding as at March 31, 2011. Compensation expense for the three months ended March 31, 2011 related to the deferred shares was \$62. There is no unrecognized compensation expense related to deferred shares, since these awards vest immediately when granted.

The table below shows the DSP transactions for the three months ended March 31, 2011:

	Deferred shares	Fair Value
Balance, January 1, 2011	-	\$ -
Impact of conversion to a corporation	24,144	326
Deferred shares issued	3,488	62
Change in fair value due to share price	-	42
Balance, March 31, 2011	27,632	\$ 430

The Company’s predecessor, the Fund, created the plan as a deferred unit plan (“DUP”) for members of the board of trustees in 2009. The plan was structured similarly, in that trustees of the Fund were given the option to elect to allocate all or a portion of their annual compensation in the form of deferred units rather than cash. These units were fully vested upon issuance and are classified as a liability on the December 31, 2010 statement of financial position amounting to \$354.

During the year ended December 31, 2010, the Fund granted 14,313 deferred units. At December 31, 2010, 24,144 deferred units were outstanding. On conversion to a corporation, the board of trustees of the Fund became the board of directors of the Company, and the deferred units were exchanged for deferred shares on a one-for-one basis. Compensation expense for the year ended December 31, 2010 related to the deferred units was \$233.

The table below shows the DUP transactions for the year ended December 31, 2010:

	Deferred units	Fair value
Balance, January 1, 2010	9,831	\$ 167
Deferred units issued	14,313	233
Change in fair value due to unit price	-	(74)
Balance, December 31, 2010	24,144	\$ 326

NOTE 18: CONTINGENCIES**(a) Legal matters**

In the normal course of business, the Company is a defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these condensed interim consolidated financial statements, therefore no provisions have been recorded.

(b) Indemnifications

The Company provides indemnifications and, in very limited circumstances, bonds, which are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its Directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits that provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no provisions have been accrued in the accompanying consolidated financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

NOTE 19: FIRST TIME ADOPTION OF IFRS***19.1: FIRST TIME ADOPTIONS AND EXEMPTIONS APPLIED***

IFRS 1 generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect at January 1, 2010 (the "transition date"). Prior to adoption of IFRS, the Company prepared its financial statements in accordance with PCAS. The Company's financial statements for the year ended December 31, 2011 will be the first annual financial statements that comply with IFRS. IFRS 1 also provides for certain optional exemptions and mandatory exceptions to this general principle.

*Mandatory exceptions***(a) Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of its transition date, January 1, 2010, are consistent with its PCAS estimates for the same date.

(b) Non-controlling interests

The Company applied the requirements of IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27"), which relate to non-controlling interests prospectively from the transition date.

Optional exemptions

The Company has elected to take the following IFRS 1 optional exemptions to its opening statement of financial position dated January 1, 2010:

(i) Business Combinations

The Company has elected not to apply retrospective restatement to business combinations executed prior to January 1, 2010. Accordingly, the Company has adopted 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 PCAS as a result of applying this exemption.

(ii) Cumulative translation differences

The Company has elected 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. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

(iii) Hedge accounting

The Company has elected under IAS 39, *Financial Instruments: Recognition and Measurement* to designate, as at the transition date, its interest rate swaps previously designated in a hedging relationship as at fair value through profit or loss.

(iv) Consolidated and separate financial statements

In accordance with IFRS 1, if a company elects to apply IFRS 3, *Business Combinations* retrospectively, IAS 27 must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has therefore also elected to apply IAS 27 prospectively.

(v) Share-Based Payment

The Company has elected to not apply the requirements of IFRS 2, *Share-based payments* retrospectively to liabilities for cash-settled awards that were settled prior to the transition date, and to equity-settled awards that vested prior to the transition date.

(vi) Borrowing costs

The Company has elected to apply the transitional provisions of IAS 23, *Borrowing Costs* prospectively from the date of transition.

19.2: RECONCILIATIONS

As stated in note 2, these are the Company's first interim condensed consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim condensed consolidated financial statements for the three months ended March 31, 2011, the comparative information presented in these interim condensed consolidated financial statements for both the the months ended March 31, 2010 and year ended December 31, 2010 and in the preparation of an opening statement of financial position at the Company's transition date, January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with PCAS. An explanation of how the transition from PCAS to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

19.2: RECONCILIATIONS (CONTINUED)**Reconciliation of Equity as at January 1, 2010**

		PCAS		IFRS	
		January 1,		Adjustment	January 1,
<i>(thousands of Canadian dollars)</i>		2010			2010
		Notes			
Assets					
Current Assets					
Cash and cash equivalents		\$	6,940	\$ -	\$ 6,940
Accounts receivable			123,293	-	123,293
Work in process			84,607	-	84,607
Prepaid expenses and other current assets			5,203	-	5,203
Deferred tax assets	(i)		631	(631)	-
Total Current Assets		\$	220,674	\$ (631)	\$ 220,043
Property and equipment	(b)		7,734	(517)	7,217
Deferred charges	(f)		847	(847)	-
Intangible assets			28,163	-	28,163
Goodwill	(b)		155,075	(8,091)	146,984
Deferred tax assets	(j)		4,067	4,203	8,270
Total Assets		\$	416,560	\$ (5,883)	\$ 410,677
Liabilities and Equity					
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	(a)	\$	51,773	\$ -	\$ 51,773
Due to related parties			454	-	454
Notes payable			16,727	-	16,727
Deferred revenue			13,331	-	13,331
Term debt	(f)		32,333	49,066	81,399
Trust units liability	(c)		-	600	600
Income taxes payable			1,580	-	1,580
Distributions payable			2,368	-	2,368
Deferred tax liabilities	(a), (j)		1,705	(1,705)	-
Total Current Liabilities		\$	120,271	\$ 47,961	\$ 168,232
Notes payable			5,001	-	5,001
Unrealized interest rate swap losses			1,442	-	1,442
Long-term debt	(f)		50,000	(50,000)	-
Convertible debentures			41,047	-	41,047
Convertible debentures - embedded derivative	(d)		-	5,628	5,628
Trust units liability	(c)		-	215,821	215,821
Deferred tax liabilities	(j)		9,242	1,569	10,811
Exchangeable interest liability	(e)		-	85,388	85,388
Total Liabilities		\$	227,003	\$ 306,367	\$ 533,370
Non-controlling interest	(e)		44,794	(44,794)	-
Equity					
Unit capital	(c)		167,446	(167,446)	-
Deficit	(b), (c), (e), (f), (g), (i), (j)		(18,977)	(103,716)	(122,693)
Convertible debentures - equity component	(d)		2,828	(2,828)	-
Accumulated other comprehensive loss	(g), (i)		(6,534)	6,534	-
Total Liabilities and Equity		\$	416,560	\$ (5,883)	\$ 410,677

NOTE 19.2: RECONCILIATIONS (CONTINUED)**Reconciliation of Equity as at March 31, 2010**

		PCAS		IFRS	
		March 31,		Adjustment	March 31,
(thousands of Canadian dollars)		2010			2010
Notes					
Assets					
Current Assets					
Cash and cash equivalents		\$ 6,576	\$ -	\$ -	6,576
Accounts receivable		118,983	-	-	118,983
Work in process		92,851	-	-	92,851
Prepaid expenses and other current assets		5,680	-	-	5,680
Deferred tax assets	(j)	410	(410)	-	-
Total Current Assets		\$ 224,500	\$ (410)	\$ -	224,090
Property and equipment	(b)	7,364	(517)	-	6,847
Deferred charges	(f)	771	(771)	-	-
Intangible assets		27,137	-	-	27,137
Goodwill	(a),(b)	156,065	(8,156)	-	147,909
Deferred tax assets	(j)	4,067	4,115	-	8,182
Total Assets		\$ 419,904	\$ (5,739)	\$ -	414,165
Liabilities and Equity					
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	(a)	\$ 46,309	\$ -	\$ -	46,309
Due to related parties		26,518	-	-	26,518
Notes payable		14,594	-	-	14,594
Deferred revenue		12,200	-	-	12,200
Term debt	(f)	21,027	49,130	-	70,157
Trust units liability	(c)	-	600	-	600
Income taxes payable		1,423	-	-	1,423
Distributions payable		2,377	-	-	2,377
Deferred tax liabilities	(j)	1,676	(1,676)	-	-
Total Current Liabilities		\$ 126,124	\$ 48,054	\$ -	174,178
Notes payable		6,246	-	-	6,246
Unrealized interest rate swap losses		1,199	-	-	1,199
Long-term debt	(f)	50,000	(50,000)	-	-
Convertible debentures		41,090	-	-	41,090
Convertible debentures - embedded derivative	(d)	-	2,950	-	2,950
Trust units liability	(c)	-	186,963	-	186,963
Deferred tax liabilities	(j)	9,034	1,543	-	10,577
Exchangeable interest liability	(e)	-	73,628	-	73,628
Total Liabilities		\$ 233,693	\$ 263,138	\$ -	496,831
Non-controlling interest	(e)	43,903	(43,903)	-	-
Equity					
Unit capital	(c)	168,490	(168,490)	-	-
	(a),(b),				
	(c),(e),(f)				
Deficit	(g),(i),(j)	(21,241)	(59,947)	-	(81,188)
Convertible debentures - equity component	(d)	2,828	(2,828)	-	0
Accumulated other comprehensive loss	(g),(i)	(7,769)	6,291	-	(1,478)
Total Liabilities and Equity		\$ 419,904	\$ (5,739)	\$ -	414,165

NOTE 19.2: RECONCILIATIONS (CONTINUED)**Reconciliation of Equity as at December 31, 2010**

		PCAS		IFRS	
		December 31,		December 31,	
(thousands of Canadian dollars)		2010	Adjustment	2010	
Notes					
Assets					
Current Assets					
Cash and cash equivalents		\$ 3,662	\$ -	\$ 3,662	
Accounts receivable		134,038	-	134,038	
Work in process		90,884	-	90,884	
Prepaid expenses and other current assets		6,375	-	6,375	
Deferred tax assets	(j)	37	(37)	-	
Total Current Assets		\$ 234,996	\$ (37)	\$ 234,959	
Property and equipment	(b)	6,852	(517)	6,335	
Deferred charges	(f)	824	(824)	-	
Intangible assets		28,198	-	28,198	
Goodwill	(a),(b)	166,797	(9,049)	157,748	
Deferred tax assets	(j)	7,046	3,967	11,013	
Total Assets		\$ 444,713	\$ (6,460)	\$ 438,253	
Liabilities and Equity					
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	(a)	\$ 50,991	\$ 1,551	\$ 52,542	
Due to related parties		26,000	-	26,000	
Notes payable		11,046	-	11,046	
Deferred revenue		12,943	-	12,943	
Term debt		34,650	-	34,650	
Trust units liability	(c)	-	600	600	
Income taxes payable		2,115	-	2,115	
Distributions payable		2,393	-	2,393	
Deferred tax liabilities	(j)	1,972	(1,972)	-	
Total Current Liabilities		\$ 142,110	\$ 179	\$ 142,289	
Notes payable		2,784	-	2,784	
Unrealized interest rate swap losses		628	-	628	
Long-term debt	(f)	48,865	(959)	47,906	
Convertible debentures		58,658	-	58,658	
Convertible debentures - embedded derivative	(d)	-	2,646	2,646	
Trust units liability	(c)	-	174,010	174,010	
Deferred tax liabilities	(j)	10,384	1,854	12,238	
Exchangeable interest liability	(e)	-	67,899	67,899	
Total Liabilities		\$ 263,429	\$ 245,629	\$ 509,058	
Non-controlling interest	(e)	42,327	(42,327)	-	
Equity					
Unit capital	(c)	170,200	(170,200)	-	
	(a),(b),				
	(c),(e),(f)				
Deficit	(g),(i),(j)	(25,275)	(41,572)	(66,847)	
Convertible debentures - equity component	(d)	4,524	(4,524)	-	
Accumulated other comprehensive loss	(g),(i)	(10,492)	6,534	(3,958)	
Total Liabilities and Equity		\$ 444,713	\$ (6,460)	\$ 438,253	

NOTE 19.2: RECONCILIATIONS (CONTINUED)**Reconciliation of comprehensive income for the three months ended March 31, 2010**

(thousands of Canadian dollars, except per unit amounts)		PCAS			IFRS
	Notes	March 31, 2010		IFRS Adjustment	March 31, 2010
Revenue		\$ 68,075	\$ -	\$ -	68,075
Salaries, fees and employee benefits		46,629	-	-	46,629
Rent		4,253	-	-	4,253
Other operating expenses	(a),(h)	7,640	(459)	-	7,181
Foreign exchange loss (gain)		316	-	-	316
Amortization of intangible assets		1,888	-	-	1,888
Amortization of property and equipment		809	-	-	809
Impairment of financial assets	(h)	-	524	-	524
		61,535	65	-	61,600
Operating Income		\$ 6,540	\$ (65)	\$ -	6,475
Interest expense, net		2,231	-	-	2,231
Other finance costs (income)	(c),(e), (f), (g)	212	(37,474)	-	(37,262)
Finance Costs (Income)		\$ 2,443	\$ (37,474)	\$ -	(35,031)
Current tax expense		350	-	-	350
Deferred tax expense	(j)	(219)	(130)	-	(349)
Income taxes		\$ 131	\$ (130)	\$ -	1
Net Income for the Period		\$ 3,966	\$ 37,539	\$ -	41,505
Other comprehensive loss					
Loss on translating financial statements of foreign operations		(1,478)	-	-	(1,478)
Effective portion of changes in fair value of cash flow hedges	(g)	243	(243)	-	-
Other comprehensive loss, net of tax		(1,235)	(243)	-	(1,478)
Total Comprehensive Income		\$ 2,731	\$ 37,296	\$ -	40,027
Net income (loss) attributable to:					
Owners of the Fund		2,847	38,658	-	41,505
Non-controlling interests	(e)	1,119	(1,119)	-	-
Net income for the period		\$ 3,966	\$ 37,539	\$ -	41,505
Total comprehensive income (loss) attributable to:					
Owners of the Fund		1,960	38,067	-	40,027
Non-controlling interests	(e)	771	(771)	-	-
Total comprehensive income for the period		\$ 2,731	\$ 37,296	\$ -	40,027

NOTE 19.2: RECONCILIATIONS (CONTINUED)**Reconciliation of comprehensive income for the year ended December 31, 2010**

(thousands of Canadian dollars, except per unit amounts)	Notes	PCAS		IFRS	
		December 31, 2010	IFRS Adjustment	December 31, 2010	
Revenue		\$ 290,398	\$ -	\$ 290,398	
Salaries, fees and employee benefits		193,956	-	193,956	
Rent		17,837	-	17,837	
Other operating expenses	(a),(h)	35,656	(1,159)	34,497	
Foreign exchange loss (gain)		264	-	264	
Amortization of intangible assets		7,426	-	7,426	
Amortization of property and equipment		3,699	-	3,699	
Impairment of financial assets	(h)	-	3,668	3,668	
		258,838	2,509	261,347	
Operating Income		\$ 31,560	\$ (2,509)	\$ 29,051	
Interest expense, net		10,488	-	10,488	
Other finance costs (income)	(c),(e), (f),(g)	32	(38,183)	(38,151)	
Finance Costs (Income)		\$ 10,520	\$ (38,183)	\$ (27,663)	
Current tax expense		3,271	-	3,271	
Deferred tax expense	(i)	(2,063)	(340)	(2,403)	
Income taxes		\$ 1,208	\$ (340)	\$ 868	
Net Income for the Period		\$ 19,832	\$ 36,014	\$ 55,846	
Other comprehensive loss					
Loss on translating financial statements of foreign operations		(3,958)	-	(3,958)	
Other comprehensive loss, net of tax		(3,958)	-	(3,958)	
Total Comprehensive Income		\$ 15,874	\$ 36,014	\$ 51,888	
Net income (loss) attributable to:					
Owners of the Fund		14,260	41,586	55,846	
Non-controlling interests	(e)	5,572	(5,572)	-	
Net income for the period		\$ 19,832	\$ 36,014	\$ 55,846	
Total comprehensive income (loss) attributable to:					
Owners of the Fund		11,412	40,476	51,888	
Non-controlling interests	(e)	4,462	(4,462)	-	
Total comprehensive income for the period		\$ 15,874	\$ 36,014	\$ 51,888	

Statement of cash flows

In addition to the changes required to adjust for the accounting policy differences described in note 19.3, interest paid and income taxes paid have been moved into the body of the unaudited interim consolidated statements of cash flows as part of operating activities, whereas they were previously disclosed as supplementary information. There are no other material differences between the

unaudited interim consolidated statements of cash flows presented under IFRS and the unaudited interim consolidated statements of cash flows presented under previous PCAS, therefore a reconciliation is not presented.

NOTE 19.3: NOTES TO THE RECONCILIATIONS

(a) Business combinations

IFRS and PCAS 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 PCAS, 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 PCAS, contingent consideration is recorded as goodwill when the contingency is resolved.

There is no impact on the opening balance for acquisitions that occurred prior to January 1, 2010 as the Company elected to use the exemption provided under IFRS 1.

For acquisitions that occurred subsequent to the transition date, the requirement is to expense is to expense acquisition-related costs in the period incurred. Acquisition-related costs of \$958 incurred in those business combinations occurring in 2010 previously capitalized in goodwill under PCAS were expensed.

In 2010, the Company agreed to pay the selling shareholders of NAL additional consideration of \$1,551 in 2012 if certain financial milestones are achieved. At the date of the acquisition, it was indeterminable whether NAL would achieve these performance targets, therefore the fair value of the contingent consideration at that time was nil. At each quarter end it was assessed whether the milestones would be achieved. In the fourth quarter of 2010, the Company determined from its assessment that it was probable that the contingent consideration would be payable and as such recognized a liability of \$1,551 for the fair value of the contingent consideration equal to \$1,551. The change in fair value of the contingent liability from nil at the time of acquisition to \$1,551 at December 31, 2010 is recognized in the statement of comprehensive income as other operating expense.

The impact arising from the above changes is as follows:

	March 31, December 31,	
	2010	2010
Statement of comprehensive income		
Other operating expenses:		
Expense transaction costs	\$ 65	\$ 958
Change in fair value of contingent consideration	-	1,551
Adjustment before income tax	\$ 65	\$ 2,509

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Goodwill	\$ -	\$ (65)	\$ (958)
Accounts payable (contingent liability)	-	-	(1,551)
Increase to deficit	\$ -	\$ (65)	\$ (2,509)

(b) Impairment of non-financial assets

IFRS contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within a CGU. 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, differs from “asset groups” the Company used under PCAS. Goodwill is allocated to CGUs for testing purposes.

The policy adopted by the Company on transition is to split the business into CGUs by dividing member firms into groups where business is shared and cash flows cannot be separated. Goodwill is allocated across the CGUs on a systematic and consistent basis.

To determine any adjustment at the date of transition, the carrying value of each CGU was compared to the recoverable amount of each CGU. The recoverable amount of each CGU was based on the higher of fair value less cost to sell and value in use.

As described in note 10, fair value less costs to sell is determined by first applying a reasonable earnings multiple to the historical EBITDA¹ of each CGU. This historical EBITDA¹ is based on average of the prior 3 to 5 year EBITDA¹ and management EBITDA¹ projections for the subsequent year. This amount represents the fair value of goodwill, intangibles and equipment of the CGUs. The Company then adds the remaining net assets of the CGUs to this amount to calculate the total fair value of the CGU. Costs to sell is estimated as 3% of the total fair value so determined, which is in line with the average transaction costs in recent acquisitions.

The impairment testing at the date of transition yielded the following results:

- The carrying value of the CGU consisting of the Quebec region firms exceeded its recoverable amount by \$4,370, recorded as impairment to goodwill;
- The carrying value of the CGU consisting of the Giffels Canadian firms exceeded its recoverable amount by \$3,035, recorded as impairment to goodwill;
- The carrying value of the CGU consisting of Giffels Inc. exceeded its recoverable amount by \$791, recorded as impairment to goodwill of \$686 and property and equipment of \$106; and

¹ References to “EBITDA” for the purposes of impairment testing is to earnings before interest, income taxes, depreciation and amortization, the inputs calculated using figures reported under Canadian GAAP. EBITDA is not a recognized measure under IFRS or Canadian GAAP and does not have a standardized meaning prescribed by IFRS or Canadian GAAP.

- The carrying value of the CGU consisting of IBI Group Inc. (Florida) exceeded its recoverable amount by \$411, recorded entirely as impairment to property and equipment since all goodwill and intangibles were written off in prior years under PCAS.

The total effect on equity at the transition date of the Company was an increase to the deficit by \$8,606.

The impairment test was performed for the year ended December 31, 2010, and as such the same methodology was applied. No impairment was found in any of the CGUs for 2010.

The impact arising from the above changes is as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Property and equipment	\$ (517)	\$ (517)	\$ (517)
Goodwill	(8,091)	(8,091)	(8,091)
Related tax effect	135	135	135
Increase to deficit	\$ (8,473)	\$ (8,473)	\$ (8,473)

(c) Classification of Fund units

Under IFRS, there is the requirement that a financial instrument which gives the holder the right to put the instrument back to the issuer for cash (a "puttable financial instrument") be classified as a financial liability, unless certain criteria are met to allow for classification as equity. PCAS has no such requirement.

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 of the Fund required that all distributable cash was to be paid to unitholders, therefore there was a contractual obligation to deliver cash. Consequently, units of the Company's predecessor, the Fund, must be classified as a liability. This issue does not arise for periods occurring on or after January 1, 2011 as the Fund converted to a corporation and the payment of dividends to Company shareholders is at the discretion of the board of directors and not obligatory.

Fund units are redeemable at any time at the option of the Fund unitholder at a price based on market value as defined in the Declaration of Trust, subject to a maximum of \$50,000 in cash redemptions in any one month. The limitation may be waived at the discretion of the Trustees of the Fund. Redemptions in excess of these amounts, assuming no waiving of the limitation, shall be paid by way of distribution in specie of a pro rata number of securities of the Trust held by the Fund. As a result, the amount that could be redeemed in the next 12 months, \$600 is recorded as a current liability in the 2010 comparative statements of financial position.

Management has designated the Fund units as financial liabilities at FVTPL. The reclassification of Fund units at the date of transition results in a decrease to equity of the January 1, 2010 unit capital carrying value on the statement of financial position of \$167,446, and an increase in liabilities the fair value of the Fund units at December 31, 2009 of \$216,421 based on the fair value equivalent to the

closing market price. The difference between the carrying amount under PCAS and the fair value under IFRS of \$48,975 was charged to the deficit.

As a financial liability at FVTPL, the Fund units are required to be revalued to fair value at the end of each reporting period, based on the closing market price at the reporting date. The change in fair value is a charge to other finance costs in the statement of comprehensive income.

In addition, given that the Fund units are designated a financial liability at FVTPL, the distributions made to unitholders must be recorded in other finance costs on the statement of comprehensive income, rather than within equity. The impact arising from the change is summarized as follows:

	March 31, 2010		December 31, 2010	
Statement of comprehensive income				
Other finance costs (income)				
Change in fair value of trust units	\$	29,902	\$	44,546
Reclassification of distributions		(5,111)		(20,558)
Adjustment before income tax	\$	24,791	\$	23,988

(d) Convertible debentures

The convertible debentures were previously treated as compound financial instruments under PCAS. The fair value of the convertible debentures was determined on the issuance dates based on the proceeds raised on these dates. The fair value was allocated between the debt instrument and conversion option, classified as equity, based on a comparison of fair value for a similar debt instrument without a conversion feature. Under IFRS, the Fund units are financial liabilities due to the puttable option, and therefore the convertible debentures are convertible into financial liabilities. The conversion feature is therefore a non-equity derivative liability carried at FVTPL since the convertible debentures contain an embedded derivative that gives rise to a liability instrument, they are treated as a hybrid financial instrument under IFRS until the Fund converted to a corporation on January 1, 2011.

The equity portion of the convertible debentures was valued at \$2,828 as at January 1, 2010 and March 31, 2010 under PCAS, and increased to \$4,524 as at December 31, 2010 as a result of the issuance of 5.75% Debentures in April 2010. Under IFRS, management has designated the embedded derivative conversion option as a financial liability at FVTPL and therefore the fair value of the embedded derivative is adjusted to fair value at each reporting date. The fair value of the conversion option of the convertible debentures was \$5,629 as at January 1, 2010, \$2,950 as at March 31, 2010, and \$2,646 as at December 31, 2010. Upon conversion to a corporation, the Fund units, a financial liability, were exchanged for common shares of the Company in an extinguishment

of the trust units liability and a recognition of share capital. As a result, the convertible debentures are convertible into common shares and therefore the conversion feature is reclassified to equity and recorded at fair value on that date with no subsequent changes in measurement.

The impact arising from the change is summarized as follows:

	March 31, December 31, 20102010			
Statement of comprehensive income				
Other finance costs (income)				
Change in fair value of embedded derivative liability	\$	2,678	\$	4,678
Adjustment before income tax	\$	2,678	\$	4,678

	January 1, 2010	March 31, December 31, 20102010
Statement of financial position		
Increase in convertible debenture embedded derivative liability	\$ 5,628	\$ 2,950 \$ 2,646
Decrease in convertible debenture - equity component	(2,828)	(2,828) (4,524)
Increase (decrease) to deficit	\$ 2,800	\$ 122 \$ (1,878)

(e) Classification of exchangeable interest liability

The Management Partnership holds 5,025,778 Class B partnership units of IBI Group, which are exchangeable into trust units of the Fund.

Under PCAS, the Management Partnership's Class B interest was presented as minority interest on the consolidated balance sheet. Under IFRS, since the trust units are classified as a liability, the Class B partnership units of IBI Group are exchangeable for a liability, and therefore must be accounted for as financial liability.

The Company has elected under IFRS to measure the Class B units as a financial liability at FVTPL. The fair value of the Class B Units mirrors the fair value of the trust units for any particular period. The Class B units are exchangeable into Fund units, and thus, it is estimated that their fair values approximate each other. The Company estimates the fair value of the Class B units using the trading price of the trust units at the end of the applicable period multiplied by the number of Class B units outstanding.

As at the transition date, the Fund unit closing price was \$16.99 per unit, therefore fair value of the Class B unit derivative financial liability at the transition date is \$85,388. The difference between this amount and the carrying amount of the non-controlling interest under GAAP of \$44,794 is recorded as an adjustment to deficit.

At the end of each reporting period in 2010, the derivative liability is remeasured to fair value. The trading price of the Fund units at March 31, 2010 and December 31, 2010 was \$14.65 and \$13.51, respectively and the number of outstanding Class B units remained at 5,025,778.

The decrease in fair value of the exchangeable Class B units of \$11,760 during the three months ended March 31, 2010 and \$17,490 for the year ended December 31, 2010 has been recorded as other finance costs.

Distributions previously recorded in non-controlling interest under PCAS of \$2,010 for the three months ended March 31, 2010 and \$8,039 for the year ended December 31, 2010 are reclassified to other finance costs and impact the statement of comprehensive income under IFRS.

Net income allocated to non-controlling interest under PCAS of \$1,119 for the three months ended March 31, 2010 and \$5,572 for the year ended December 31, 2010 have been reclassified to the deficit account.

On January 1, 2011, the Fund converted to a corporation, at which time the Class B partnership units became exchangeable into common shares of the Company. Therefore, as at March 31, 2011, the Class B units are presented within equity, measured at fair value of \$67,899 on the conversion date with no subsequent changes to value.

The impact arising from the change is summarized as follows:

	March 31, December 31, 20102010			
Statement of comprehensive income				
Other finance costs (income)				
Change in fair value of exchangeable interest	\$	11,760	\$	17,490
Reclassification of distributions to non-controlling interest		(2,010)		(8,039)
Adjustment before income tax	\$	9,750	\$	9,451

(f) Indebtedness

Classification of debt

The Company had unsecured long-term debt with a covenant violation as at January 1, 2010, March 31, 2010, and June 30, 2010. A waiver was obtained from the lender in July 2010 with respect to the breach. Under PCAS the loan was classified as non-current as at the end of these respective periods. Under IFRS, because the waiver was obtained subsequent to the end of each of the reporting periods, the debt is required to be presented as a current liability in the statement of financial position for January 1, 2010, March 31, 2010 and June 30, 2010.

The impact arising from the change is summarized as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated statement of financial position			
Increase in term debt	\$ (50,000)	\$ (50,000)	\$ -
Decrease in long-term debt	50,000	50,000	-
(Increase) decrease to deficit	\$ -	\$ -	\$ -

Debt modification

IFRS requires the presentation of deferred debt modification costs against the associated liability. The deferred transaction costs relating to debt modifications formerly presented as Deferred Charges in the statement of financial positions has been reclassified as a reduction in the long-term debt. This balance was \$847 as at January 1, 2010, \$771 as at March 31, 2010 and \$824 as at December 31, 2010.

Under PCAS, an entity can elect to recognize 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. As a result, in \$126 in legal fees expensed under PCAS relating to debt modifications prior to the transition date have been capitalized against the term debt.

Professional fees of \$22 and \$108 relating to debt modifications previously expensed in the three months ended March 31, 2010 and year ended December 31, 2010, respectively under PCAS, are now capitalized under IFRS. An adjustment in the amortization of debt modification cost of \$10 and \$60 also applies to the periods ended March 31, 2010 and December 31, 2010, respectively.

The impact arising from the change is summarized as follows:

	March 31, 2010	December 31, 2010
Statement of comprehensive income		
Other finance costs (income):		
Capitalize debt modification costs	\$ 22	\$ 108
Adjust amortization of debt modification costs	(10)	(60)
Adjustment before income tax	\$ 12	\$ 48

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Decrease in deferred charges	\$ (847)	\$ (771)	\$ (824)
Decrease in term debt	934	870	-
Decrease in long-term debt	-	-	959
Decrease to deficit	\$ 87	\$ 99	\$ 135

(g) Interest rate swap

As explained in note 19.1, the Company has elected to designate its interest rate swaps, previously recorded as cash flow hedges under PCAS as financial liabilities at fair value through profit or loss. As a result of this election, at the transition date, the cumulative unrealized loss on the interest rate swaps of \$1,442 presented on the statement of financial position as accumulated other comprehensive loss must be reclassified within equity to the deficit. For the period ended March 31, 2010, the change in fair value of the interest rate swaps resulted in an unrealized gain of \$243. This amount has been reclassified to other finance costs on the statements of comprehensive income.

Under PCAS, the change in fair value of \$814 was recorded in income as opposed to other comprehensive income in the annual consolidated financial statements of the Fund for the year ended December 31, 2010. Therefore, for the period ended December 31, 2010 the adjustment to the statement of financial position remains same as that at the date of transition. .

The impact arising from the change is summarized as follows:

	March 31, December 31,	
	2010	2010
Statement of comprehensive income		
Other finance costs (income)	\$ (243)	\$ -
Other comprehensive income	243	-
Adjustment before income tax	\$ -	\$ -

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Decrease in accumulated other comprehensive loss	\$ (1,442)	\$ (1,199)	\$ (1,442)
Increase to deficit	\$ (1,442)	\$ (1,199)	\$ (1,442)

(h) Bad debt expense

Under PCAS a reporting entity can present bad debt expense grouped with other expenses in the statement of comprehensive income. Under IFRS, bad debt expense must be recorded as an impairment to a financial asset.

The impact arising from the change is summarized as follows:

	March 31, December 31,	
	2010	2010
Consolidated statement of comprehensive income		
Operating expenses	\$ 524	\$ 3,668
Impairment of financial assets	(524)	(3,668)
Adjustment before income tax	\$ -	\$ -

(i) Foreign currency translation

As explained in Note 19.1, in accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarized as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated statement of financial position			
Decrease in cumulative translation adjustment	\$ (5,092)	\$ (5,092)	\$ (5,092)
Increase to deficit	\$ (5,092)	\$ (5,092)	\$ (5,092)

(j) Income tax*Classification*

Under IFRS, deferred tax balances are classified as non-current. Under PCAS, deferred tax balances are classified as current or non-current based on the nature of the underlying related asset or liability.

The impact arising from the change is summarized as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Decrease in deferred income tax asset (current)	\$ 631	\$ 410	\$ 37
Increase in deferred income tax asset (non-current)	(631)	(410)	(37)
Decrease in deferred income tax liability (current)	(1,705)	(1,676)	(1,972)
Increase in deferred income tax liability (non-current)	1,705	1,676	1,972
(Increase) decrease to deficit	\$ -	\$ -	\$ -

Adjustments resulting from IFRS adjustments

The above changes that led to adjustments to the deferred tax liability on the statement of financial position is the impairment of property and equipment of IBI Group Inc. (Florida) on the date of transition and the capitalization of previously expensed debt modification costs.

The impact is as follows based on a statutory tax rate of 33 percent as at January 1, 2010 and 31 percent for the year ended December 31, 2010:

	March 31, 2010	December 31, 2010
Statement of comprehensive income		
Deferred tax expense	\$ 3	\$ 18

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Impairment of property and equipment	\$ (135)	\$ (135)	\$ (135)
Debt modification costs	-	3	18
Decrease in deficit	\$ (135)	\$ (132)	\$ (117)

Other income tax adjustments

Under IFRS, temporary differences relating to flow-through entities are taxed as if the taxable income was retained in the entity, and not distributed to unitholders. Therefore, temporary differences of IBI Income Fund are taxed at the highest personal tax rate of 46%, with no carve-out for the non-controlling interest of IBI Group. Under PCAS, any temporary differences relating to flow-through entities are taxed at the rate of the entity that will ultimately be allocated the taxable income. This was the corporate tax rate as when the SIFT rules were announced the temporary differences were taxed at the corporate rate.

The impact arising from the change is summarized as follows

	March 31, 2010	December 31, 2010
Statement of comprehensive income		
Deferred tax recovery	\$ 133	\$ 358

	January 1, 2010	March 31, 2010	December 31, 2010
Statement of financial position			
Increase in deferred tax asset	\$ 3,572	\$ 3,705	\$ 3,930
(Increase) decrease to deficit	\$ 3,572	\$ 3,705	\$ 3,930

NOTE 20: SUBSEQUENT EVENT

On May 31 2011, the company concluded arrangements for a new 5 year \$120 million credit facility with an \$80 million accordion feature. This reflects the policy of the Company to use bank debt for operating purposes and for interim financing for acquisitions. Pursuant to this policy, the Company will replace bank debt with longer term debt at fixed interest rates including debt through bonds, convertible debentures and other instruments or through capital raised from future equity issues.