

Unaudited Interim Condensed Consolidated Financial Statements of

IBI GROUP INC.

Three and six months ended June 30, 2011 and 2010

IBI GROUP INC.

Interim Condensed Consolidated Statement of Financial Position (unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	June 30, 2011	December 31, 2010
Assets			
Current Assets			
Cash and cash equivalents	6	\$ 4,639	\$ 3,662
Accounts receivable	6, 10	141,806	134,038
Work in process	6	107,570	90,884
Prepaid expenses and other current assets		6,411	6,375
Total Current Assets		\$ 260,426	\$ 234,959
Property and equipment		7,096	6,335
Intangible assets		31,504	28,198
Goodwill		164,419	157,748
Deferred tax assets	7	7,717	11,013
Total Assets		\$ 471,162	\$ 438,253
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	14	\$ 46,460	\$ 52,542
Due to related parties	8	20,000	26,000
Notes payable	14	12,164	11,046
Deferred revenue		15,569	12,943
Term debt	6	24,950	34,650
Trust units liability	6	-	600
Income taxes payable		3,561	2,115
Dividends payable		1,195	-
Distributions payable		1,563	2,393
Total Current Liabilities		\$ 125,462	\$ 142,289
Notes payable	14	4,278	2,784
Unrealized interest rate swap losses	6, 10	245	628
Long-term debt	6	47,198	47,906
Convertible debentures	6	110,610	58,658
Convertible debentures - embedded derivative	6	-	2,646
Trust units liability	6	-	174,010
Deferred tax liabilities		11,923	12,238
Exchangeable interest liability	6	-	67,899
Total Liabilities		\$ 299,716	\$ 509,058
Equity			
Shareholders' Equity			
Share capital	9	175,561	-
Deficit		(70,335)	(66,847)
Convertible debentures - equity component	6	5,852	-
Accumulated other comprehensive loss		(4,980)	(3,958)
Total Shareholders' Equity		\$ 106,098	\$ (70,805)
Non-controlling interest	9	65,348	-
Total Equity		\$ 171,446	\$ (70,805)
Total Liabilities and Equity		\$ 471,162	\$ 438,253

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		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenue		\$ 82,301	\$ 69,790	\$ 160,086	\$ 137,865
Salaries, fees and employee benefits		55,246	47,913	108,234	94,542
Rent	8, 12	4,902	4,245	9,759	8,498
Other operating expenses	7, 14	9,386	8,022	18,296	15,203
Foreign exchange loss (gain)	10	66	(433)	284	(117)
Amortization of intangible assets		1,908	2,008	3,780	3,896
Amortization of property and equipment		694	922	1,552	1,731
Impairment of financial assets	6	209	426	420	950
		72,411	63,103	142,325	124,703
Operating Income		\$ 9,890	\$ 6,687	\$ 17,761	\$ 13,162
Interest expense, net	10, 13	3,434	2,446	6,549	4,677
Other finance costs (income)	13	479	(8,337)	702	(45,599)
Finance Costs (Income)		\$ 3,913	\$ (5,891)	\$ 7,251	\$ (40,922)
Current tax expense	7	1,548	1,209	3,200	1,559
Deferred tax expense (recovery)	7	(263)	(333)	2,230	(682)
Income taxes		\$ 1,285	\$ 876	\$ 5,430	\$ 877
Net Income for the Period		\$ 4,692	\$ 11,702	\$ 5,080	\$ 53,207
Other comprehensive income (loss)					
Income (loss) on translating financial statements of foreign operations		(779)	911	(1,420)	(567)
Other comprehensive income (loss), net of tax		(779)	911	(1,420)	(567)
Total Comprehensive Income		\$ 3,913	\$ 12,613	\$ 3,660	\$ 52,640
Net income attributable to:					
Owners of the Company		\$ 3,382	\$ -	\$ 3,662	\$ -
Owners of the Fund		-	11,702	-	53,207
Non-controlling interests	9	1,310	-	1,418	-
Net income for the period		\$ 4,692	\$ 11,702	\$ 5,080	\$ 53,207
Total comprehensive income attributable to:					
Owners of the Company		\$ 2,820	\$ -	\$ 2,638	\$ -
Owners of the Fund		-	12,613	-	52,640
Non-controlling interests	9	1,093	-	1,022	-
Total comprehensive income for the period		\$ 3,913	\$ 12,613	\$ 3,660	\$ 52,640
Earnings per share					
Basic and diluted earnings per share	9	\$ 0.2607	\$ -	\$ 0.2827	\$ -

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Cash Flows (unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities					
Net income		\$ 4,692	\$ 11,702	\$ 5,080	\$ 53,207
Items not affecting cash:					
Amortization of property and equipment		694	922	1,552	1,731
Amortization of intangible assets		1,908	2,008	3,780	3,896
Net interest expense		3,434	2,446	6,549	4,677
Deferred income taxes	7	(263)	(333)	2,230	(682)
Change in fair value of financial instruments	13	(197)	(15,664)	(383)	(60,247)
Distributions included in net income		-	7,171	-	14,292
Interest paid		(3,251)	(2,340)	(6,188)	(4,517)
Income taxes paid		(1,285)	459	(2,488)	336
Change in non-cash operating working capital	11	(23,554)	(710)	(24,949)	(12,037)
Net Cash from Operating Activities		\$ (17,822)	\$ 5,661	\$ (14,817)	\$ 656
Cash Flows from Financing Activities					
Payments on principal of notes payable		(3,653)	(1,968)	(3,653)	(2,595)
Proceeds from (payments on) principal of term debt		21,522	6,216	(9,700)	(5,090)
Dividends paid to shareholders		(3,577)	-	(7,678)	-
Distributions paid to unitholders		-	(5,126)	-	(10,228)
Distributions paid to non-controlling interest		(1,340)	-	(2,680)	-
Distributions paid to holders of exchangeable interest liabilities		-	(2,040)	-	(4,050)
Advances from (payments to) related parties	8	-	(170)	(6,000)	25,894
Issue of share capital	9	-	-	-	-
Proceeds of issuance of convertible debentures, net of transaction costs	6	-	19,005	54,619	19,005
Net Cash from Financing Activities		\$ 12,952	\$ 15,917	\$ 24,908	\$ 22,936
Cash Flows from Investing Activities					
Purchase of property and equipment		(607)	(865)	(1,197)	(1,325)
Acquisitions, net of cash acquired	14	-	(13,540)	(7,408)	(14,287)
Net Cash from Investing Activities		\$ (607)	\$ (14,405)	\$ (8,605)	\$ (15,612)
Effect of foreign exchange rate fluctuations on cash held	10	(64)	463	(509)	(708)
Net increase in cash and cash equivalents		\$ (5,541)	\$ 7,636	\$ 977	\$ 7,272
Cash and cash equivalents, beginning of period		10,180	6,576	3,662	6,940
Cash and Cash Equivalents, End of Period		\$ 4,639	\$ 14,212	\$ 4,639	\$ 14,212

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

(thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Share Capital					
Share capital, beginning of period		\$ 174,878	\$ -	\$ -	\$ -
Issuance upon conversion from trust to corporation	6	-	-	174,610	-
Shares issued from treasury	9	683	-	951	-
Share Capital, End of Period		\$ 175,561	\$ -	\$ 175,561	\$ -
Deficit					
Deficit, beginning of period		\$ (70,136)	\$ (81,188)	\$ (66,847)	\$ (122,693)
Net income attributable to owners of the Company		3,382	-	3,662	-
Net income attributable to owners of the Fund		-	11,702	-	53,207
Dividends declared to shareholders		(3,581)	-	(7,150)	-
Deficit, End of Period		\$ (70,335)	\$ (69,486)	\$ (70,335)	\$ (69,486)
Convertible Debentures - Equity Component					
Convertible debentures, beginning of period		\$ 5,852	\$ -	-	-
Reclassification upon conversion from trust to corporation		-	-	2,646	-
Issuance of convertibles debentures		-	-	3,206	-
Convertible Debentures, End of Period		\$ 5,852	\$ -	\$ 5,852	\$ -
Accumulated Other Comprehensive Loss					
Accumulated other comprehensive loss, beginning of period		(4,419)	(1,478)	(3,958)	-
Other comprehensive income (loss) attributable to shareholders		(561)	911	(1,022)	(567)
Accumulated Other Comprehensive Loss, End of Period		\$ (4,980)	\$ (567)	\$ (4,980)	\$ (567)
Total Shareholders' Equity		\$ 106,098	\$ (70,053)	\$ 106,098	\$ (70,053)
Non-controlling Interest					
Non-controlling interest, beginning of period		\$ 66,488	\$ -	-	\$ -
Reclassification upon conversion from a trust to a corporation		-	-	67,899	-
Total comprehensive income attributable to non-controlling interests	9	1,093	-	1,022	-
Distributions		(2,233)	-	(3,573)	-
Non-controlling Interest, End of Period		\$ 65,348	\$ -	\$ 65,348	\$ -
Total Equity, End of Period		\$ 171,446	\$ (70,053)	\$ 171,446	\$ (70,053)

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, except per share amounts)

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 June 30, 2011, the Management Partnership holds 5,025,778 Class B partnership units representing 27.9% of the issued and outstanding units of IBI Group and, with affiliated partnerships, 3,262,249 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 3,262,249 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”). 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 (“FVTPL”).

(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”).

(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;
- Determining of allowance for doubtful accounts receivable;
- Determining deferred revenue;
- Establishing fair values for work in process, and identifiable property, equipment and intangible assets acquired in business combinations (see note 14);
- Determining probable 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; and
- Measuring fair value of financial instruments (see note 6).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company have been applied consistently to all periods presented in these interim condensed consolidated financial statements. Please refer to Note 3 the unaudited March 31, 2011 condensed consolidated interim financial statements of IBI Group Inc. for the summary of significant accounting policies.

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) IFRS 13 - Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (“IFRS 13”) which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

(d) IAS 19 - Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income ("OCI"), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues, and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company does not have actuarial gains and losses or perform pension accounting, and does not plan to in the near future, therefore the amendment to the standard will likely not affect its financial reporting.

(e) IAS 1 - Presentation of Financial Statements

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1") to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

(f) Other 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; and finally, 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.

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 following table demonstrates certain statement of financial position information line items segmented geographically as at three months ended June 30, 2011, with comparatives as at June 30, 2010:

	As at June 30, 2011			
	Canada	U.S.	International	Total
Property and equipment	\$ 4,720	\$ 1,271	\$ 1,105	\$ 7,096
Intangibles	21,728	5,930	3,846	31,504
Goodwill	138,146	16,975	9,298	164,419
Total assets	\$ 420,909	\$ 14,264	\$ 35,989	\$ 471,162

	As at June 30, 2010			
	Canada	U.S.	International	Total
Property and equipment	\$ -	\$ 4,899	\$ 1,423	\$ 7,502
Intangibles	-	21,613	3,794	30,535
Goodwill	-	133,973	13,952	158,439
Total assets	\$ -	\$ 378,707	\$ 15,765	\$ 454,774

The following table demonstrates certain information contained in the statement of comprehensive income segmented geographically for the three and six months ended June 30, 2011, with comparatives for the three and six months ended June 30, 2010. The unallocated amounts pertain to expenses relating to convertible debentures, taxes, and non-cash finance costs incurred by the Company and the Fund.

	Unallocated Corporate costs	Three months ended June 30, 2011			Total
		Canada	U.S.	International	
Revenues	\$ -	\$ 53,052	\$ 18,862	\$ 10,387	\$ 82,301
Net income for the period	\$ (1,773)	\$ 3,955	\$ 745	\$ 1,765	\$ 4,692

	Six months ended June 30, 2011				
	Unallocated Corporate costs	Canada	U.S.	International	Total
Revenues	\$ -	\$ 101,865	\$ 35,751	\$ 22,470	\$ 160,086
Net income for the period	\$ (6,763)	\$ 6,881	\$ 862	\$ 4,100	\$ 5,080

	Three months ended June 30, 2010				
	Unallocated Fund income	Canada	U.S.	International	Total
Revenues	\$ -	\$ 44,541	\$ 17,763	\$ 7,486	\$ 69,790
Net income for the period	\$ 9,161	\$ 170	\$ 663	\$ 1,708	\$ 11,702

	Six months ended June 30, 2010				
	Unallocated Fund income	Canada	U.S.	International	Total
Revenues	\$ -	\$ 87,705	\$ 36,701	\$ 13,459	\$ 137,865
Net income for the period	\$ 39,060	\$ 9,492	\$ 679	\$ 3,976	\$ 53,207

NOTE 6: FINANCIAL INSTRUMENTS

(a) Indebtedness

IBI Group has credit facilities totaling \$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 June 30, 2011, IBI Group had borrowings of \$2,950 under the Swing Facility and \$22,000 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 June 30, 2011, IBI Group had borrowings of \$48,112 (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 June 30, 2011, these costs amounted to \$914 (December 31, 2010 - \$959). The net long-term debt after transaction costs on the statement of financial position was \$47,198 as at June 30, 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 June 30, 2011, IBI Group had issued bid bonds in the amount of \$9,267 (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 June 30, 2011, the Company had \$14,000 (December 31, 2010 - \$24,000) notional amounts of interest-rate swap agreements outstanding with a fair value of the swap liability of \$245 (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 Company 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 June 30, 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 June 30, 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 June 30, 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 six months ended June 30, 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	361		-	361
Balance, June 30, 2011	\$ 110,610	\$ -	\$ 5,852	\$ 116,462

For the 2010 comparative year, the Fund units are classified as financial liabilities at FVTPL on the statement of financial position (see note 16.2 for explanations of reconciliations to 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 June 30, 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	\$ 4,639				\$ 4,639
Accounts receivable	141,806				141,806
Work in process	107,570				107,570
Total	\$ 254,015				\$ 254,015
Financial liabilities					
Accounts payable and accrued liabilities		46,460			46,460
Due to related parties		21,563			21,563
Notes payable		16,442			16,442
Term debt		24,950			24,950
Income tax payable		3,561			3,561
Dividend payable		1,195			1,195
Unrealized interest rate swap gain			245		245
Long-term debt		47,198			47,198
Convertible debentures		110,610			110,610
Total		\$ 271,979	\$ 245	\$ -	\$ 272,224

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		13,830			13,830
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		\$ 136,190	\$ 628	\$ 247,059	\$ 483,877

NOTE 7: CONVERSION TO A CORPORATION

The conversion from an income trust to a corporation completed January 1, 2011 has had the following impacts on the unaudited 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 non-consolidated basis was \$270 for the six months ended June 30, 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 six months ended June 30, 2011.

(b) Conversion costs

The conversion to a corporation also resulted in the company incurring substantial additional professional fees of \$303 in the six months ended June 30, 2011 (\$498 for the year ended December 31, 2010) which are recorded as other operating expenses on the statement of comprehensive income.

NOTE 8: 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. The amount paid for such services during the three months ended June 30, 2011 was \$5,431 (three months ended June 30, 2010 - \$4,700) and \$10,600 for the six months ended June 30, 2011 (six months ended June 30, 2010 - \$8,600).
- IBI Group makes a monthly distribution to each Class B partnership unitholder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. The Class B partnership unitholders are the partners of the Management Partnership. As at June 30, 2011 the amount of distributions payable to the Management Partnership was \$1,563 (as at December 31, 2010 - \$670).

- 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.
- 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 six months ended June 30, 2011 (Six months ended June 30, 2010 - total payments were approximately \$486 up to March 11, 2010).

NOTE 9: EQUITY**(a) Shareholders' equity**

As at June 30, 2011, the Company's common share capital consisted of 12,986,881 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 16.2 for explanation of reconciliation to 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 June 30, 2011, the units issued on such exchange would have represented a 27.9% 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 June 30, 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 June 30, 2011, the Company issued 18,000 common shares at \$15.28 per share and 27,000 common shares at \$15.26 per share for a total of \$683. During the six months ended June 30, 2011, the Company issued 35,000 common shares at \$15.28 per share and 27,000 common shares at \$15.26 per share, for a total of \$951. These share issuances were settled by reducing notes payable.

In 2010, 186 units of the Company predecessor, the Fund, were issued with an average 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 June 30, 2011, the Company declared monthly dividends at a rate of \$0.092 cents per qualifying ordinary share for total dividends declared during the quarter of \$3,581. For each of the six months ended June 30, 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 \$7,150.

The Company's predecessor, the Fund, made distributions to unitholders at a rate of \$0.133 per Fund unit for a total distribution of \$5,130 during the three months ended June 30, 2010 and \$10,242 during the six months ended June 30, 2010. 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 six months ended June 30, 2011 is demonstrated in the following table:

	Three months ended	Six months ended
	June 30, 2011	June 30, 2011
Net income attributable to owners of the Company	\$ 3,382	\$ 3,662
Weighted average common shares outstanding	12,968	12,948
Basic and diluted earnings per common share	\$ 0.2607	\$ 0.2827

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 six months ended June 30, 2011 as they would be anti-dilutive.

For the period ended June 30, 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 16.2 for explanation of IFRS).

The movement in non-controlling interest is shown in the June 30, 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	Six months ended
	June 30, 2011	June 30, 2011
Net income	\$ 4,692	\$ 5,080
Non-controlling interest share of ownership	27.9%	27.9%
Net income attributable to non-controlling interest	\$ 1,310	\$ 1,418
	Three months ended	Six months ended
	June 30, 2011	June 30, 2011
Total comprehensive income	\$ 3,913	\$ 3,660
Non-controlling interest share of ownership	27.9%	27.9%
Total comprehensive income attributable to non-controlling interest	\$ 1,093	\$ 1,022

NOTE 10: 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 entered into interest rate swaps to convert a portion of its debt from floating to fixed rates. As at June 30, 2011, \$14,000 (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 June 30, 2011, had been 50 basis points higher, with all other variables held constant, net income for the six months ended June 30, 2011 would have decreased by approximately \$295 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 June 30, 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 June 30, 2011 there were 107 working days of revenue in accounts receivable, down from 111 days at December 31, 2010 and 117 days at June 30, 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 June 30, 2011 are not credit rated by the Company. Their maturities are detailed below:

	June 30, 2011	December 31, 2010
Current	\$ 41,232	\$ 39,701
30 to 90 days	34,770	29,059
Over 90 days	73,010	70,709
Allowance for impairment losses	(7,206)	(5,431)
Total	\$ 141,806	\$ 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 June 30, 2011, the Company had \$4,639 of cash and cash equivalents in addition to a total of \$75,231 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 June 30, 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 June 30, 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, 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 six month period ended June 30, 2011.

NOTE 11: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Accounts receivable	\$ (13,879)	\$ (10,481)	\$ (8,069)	\$ (6,171)
Work in process	(6,864)	(7,637)	(17,334)	(15,881)
Prepaid expenses and other assets	(721)	(385)	(37)	(862)
Accounts payable	(2,928)	10,282	(6,318)	4,925
Deferred revenue	960	1,257	2,728	126
Income taxes payable	2,459	1,526	4,087	1,492
Acquisition of working capital	(2,580)	4,674	(5)	4,334
Increase (decrease) in non-cash operating working capital	\$ (23,554)	\$ (710)	\$ (24,949)	\$ (12,037)

NOTE 12: 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

¹ References to "EBITDA" in note 10(d) is to the earnings before interest, income taxes, depreciation and amortization calculated using inputs measured using IFRS. EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

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 13: FINANCE COSTS (INCOME)

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest on long term debt	\$ 843	\$ 986	\$ 1,863	\$ 2,058
Interest on convertible debentures	1,952	1,082	3,631	1,887
Other	639	378	1,055	732
Interest expense, net	\$ 3,434	\$ 2,446	\$ 6,549	\$ 4,677
Amortization of deferred financing costs	\$ 385	\$ 88	\$ 505	\$ 175
Distributions to trust unitholders	-	5,130	-	10,242
Distributions to exchangeable interest holders	-	2,040	-	4,050
Change in fair value of derivative liabilities embedded in convertible debentures	-	(400)	-	(3,078)
Change in fair value of interest rate swap	(197)	(108)	(383)	(351)
Change in fair value of trust units	-	(10,884)	-	(40,786)
Change in fair value of exchangeable interest liability	-	(4,272)	-	(16,032)
Other	291	69	580	181
Other finance costs (income)	\$ 479	\$ (8,337)	\$ 702	\$ (45,599)
Finance costs (income) for the period	\$ 3,913	\$ (5,891)	\$ 7,251	\$ (40,922)

NOTE 14: 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.

- In June 2011, IBI Group concluded arrangements for the acquisition of CRJA, Landscape Architects, (“CRJA”) in Boston, Massachusetts, effective June 30, 2011. CRJA is known for its landscape projects in educational campuses and building facilities, in prestigious embassies, urban developments of mixed uses; and design of the public realm of streetscapes and public places.

The business combination was structured as a share acquisition. The net purchase price for CRJA was \$1 at the effective date which was paid directly on closing. Contingent consideration of \$416 is payable based on earnings targets.

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 based on preliminary purchase equations:

	Three months ended June 30, 2011	Six months ended June 30, 2011	Year ended December 31, 2010
Cash consideration	\$ 1	\$ 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	\$ 1	\$ 14,816	\$ 26,089
Net working capital	\$ (1,681)	\$ (5)	\$ 6,400
Property and equipment	45	1,125	686
Intangible assets			
Contract backlog	-	2,576	2,084
Clients and relationships	-	3,139	4,555
Other	482	1,471	1,092
Goodwill	1,155	7,596	12,490
Deferred tax liability	-	(1,086)	(1,218)
Net assets acquired	\$ 1	\$ 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.

If the business combinations that occurred in 2011 had taken place at the beginning of 2011, revenue would be approximately \$8,400 higher than reported and net income would be approximately \$400 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 \$620 (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

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	416
Share issuances		(951)	
Payments		(3,653)	(1,551)
Foreign exchange translation		(192)	-
Purchase price adjustments		-	-
Balance, June 30, 2011	\$	16,442	\$ 416

Contingent consideration

Additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. The Company uses the income approach to determine the fair value of contingent consideration. As at June 30, 2011, the Company settled the contingent consideration payable to NAL, which had been estimated and recorded on the date of the acquisition in 2010 and adjusted to fair value of \$1,551 at December 31, 2010 (see note 16.2).

The fair value of the contingent consideration for CRJA of \$416 was estimated and accrued as at June 30, 2011. It is classified as accrued liabilities on the balance sheet.

Purchase price adjustments

During the first and second quarters 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 an increase in net working capital of \$30, a decrease in notes payable of \$835 and a decrease in goodwill of \$865.

NOTE 15: 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 16: FIRST TIME ADOPTION OF IFRS***16.1: RECONCILIATIONS***

In preparing its opening IFRS statement of financial position and the comparative information presented in these interim condensed consolidated financial statements, 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.

A reconciliation of equity as at January 1, 2010 and December 31, 2010 as well as a reconciliation of comprehensive income for the year ended December 31, 2010 are disclosed in Note 19.2 of the March 31, 2011 unaudited interim condensed consolidated financial statements of IBI Group Inc.

NOTE 16.1: RECONCILIATIONS (CONTINUED)**Reconciliation of Equity as at June 30, 2010**

<i>(thousands of Canadian dollars)</i>	Notes	PCAS June 30, 2010	IFRS Adjustment	IFRS June 30, 2010
Assets				
Current Assets				
Cash and cash equivalents	\$	14,212	\$ -	\$ 14,212
Accounts receivable		129,464	-	129,464
Work in process		100,488	-	100,488
Prepaid expenses and other current assets		6,065	-	6,065
Deferred tax assets	<i>(j)</i>	165	(165)	-
Total Current Assets		\$ 250,394	\$ (165)	\$ 250,229
Property and equipment	<i>(b)</i>	8,019	(517)	7,502
Deferred charges	<i>(f)</i>	694	(694)	-
Intangible assets		30,534	-	30,534
Goodwill	<i>(a),(b)</i>	167,250	(8,811)	158,439
Deferred tax assets	<i>(j)</i>	4,067	4,003	8,070
Total Assets		\$ 460,958	\$ (6,184)	\$ 454,774
Liabilities and Equity				
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	<i>(a)</i>	\$ 56,585	\$ -	\$ 56,585
Due to related parties		26,348	-	26,348
Notes payable		18,708	-	18,708
Deferred revenue		13,457	-	13,457
Term debt	<i>(f)</i>	26,628	49,794	76,422
Trust units liability	<i>(c)</i>	0	600	600
Income taxes payable		3,408	-	3,408
Distributions payable		2,382	-	2,382
Deferred tax liabilities	<i>(j)</i>	1,705	(1,705)	-
Total Current Liabilities		\$ 149,221	\$ 48,689	\$ 197,910
Notes payable		5,896	-	5,896
Unrealized interest rate swap losses		1,091	-	1,091
Long-term debt	<i>(f)</i>	50,615	(50,615)	-
Convertible debentures		58,516	-	58,516
Convertible debentures - embedded derivative	<i>(d)</i>	-	4,246	4,246
Trust units liability	<i>(c)</i>	-	176,623	176,623
Deferred tax liabilities	<i>(j)</i>	9,614	1,575	11,189
Exchangeable interest liability	<i>(e)</i>	-	69,356	69,356
Total Liabilities		\$ 274,953	\$ 249,874	\$ 524,827
Non-controlling interest	<i>(e)</i>	42,907	(42,907)	-
Equity				
Unit capital	<i>(c)</i>	169,034	(169,034)	-
Deficit	<i>(a),(b), (c),(e),(f)</i>	-	-	-
Convertible debentures - equity component	<i>(g),(i),(j)</i>	(23,710)	(45,776)	(69,486)
Convertible debentures - equity component	<i>(d)</i>	4,524	(4,524)	-
Accumulated other comprehensive loss	<i>(g),(i)</i>	(6,750)	6,183	(567)
Total Liabilities and Equity		\$ 460,958	\$ (6,184)	\$ 454,774

NOTE 16.1: RECONCILIATIONS (CONTINUED)**Reconciliation of comprehensive income for the three months ended June 30, 2010**

<i>(thousands of Canadian dollars, except per unit amounts)</i>	Notes	PCAS June 30, 2010	IFRS Adjustment	IFRS June 30, 2010
Revenue		\$ 69,790	\$ -	\$ 69,790
Salaries, fees and employee benefits		47,913	-	47,913
Rent		4,245	-	4,245
Other operating expenses	(a),(h)	7,793	229	8,022
Foreign exchange gain		(433)	-	(433)
Amortization of intangible assets		2,008	-	2,008
Amortization of property and equipment		922	-	922
Impairment of financial assets	(h)	-	426	426
		62,448	655	63,103
Operating Income		\$ 7,342	\$ (655)	\$ 6,687
Interest expense, net		2,446	-	2,446
Other finance costs (income)	(c),(e), (f),(g)	184	(8,521)	(8,337)
Finance Costs (Income)		\$ 2,630	\$ (8,521)	\$ (5,891)
Current tax expense		1,209	-	1,209
Deferred tax expense	(j)	(203)	(130)	(333)
Income taxes		\$ 1,006	\$ (130)	\$ 877
Net Income for the Period		\$ 3,706	\$ 7,996	\$ 11,702
Other comprehensive loss				
Gain on translating financial statements of foreign operations		911	-	911
Effective portion of changes in fair value of cash flow hedges	(g)	108	(108)	-
Other comprehensive income (loss), net of tax		1,019	(108)	911
Total Comprehensive Income		\$ 4,725	\$ 7,888	\$ 12,613
Net income (loss) attributable to:				
Owners of the Fund		2,662	9,040	11,702
Non-controlling interests	(e)	1,044	(1,044)	-
Net income for the period		\$ 3,706	\$ 7,996	\$ 11,702
Total comprehensive income (loss) attributable to:				
Owners of the Fund		3,394	9,219	12,613
Non-controlling interests	(e)	1,331	(1,331)	-
Total comprehensive income for the period		\$ 4,725	\$ 7,888	\$ 12,613

NOTE 16.1: RECONCILIATIONS (CONTINUED)**Reconciliation of comprehensive income for the six months ended June 30, 2010**

<i>(thousands of Canadian dollars, except per unit amounts)</i>	Notes	PCAS June 30, 2010	IFRS Adjustment	IFRS June 30, 2010
Revenue		\$ 137,865	\$ -	\$ 137,865
Salaries, fees and employee benefits		94,542	-	94,542
Rent		8,498	-	8,498
Other operating expenses	(a),(h)	15,433	(230)	15,203
Foreign exchange gain		(117)	-	(117)
Amortization of intangible assets		3,896	-	3,896
Amortization of property and equipment		1,731	-	1,731
Impairment of financial assets	(h)	-	950	950
		123,983	720	124,703
Operating Income		\$ 13,882	\$ (720)	\$ 13,162
Interest expense, net		4,677	-	4,677
Other finance costs (income)	(c),(e), (f),(g)	396	(45,995)	(45,599)
Finance Costs (Income)		\$ 5,073	\$ (45,995)	\$ (40,922)
Current tax expense		1,559	-	1,559
Deferred tax expense	(j)	(422)	(260)	(682)
Income taxes		\$ 1,137	\$ (260)	\$ 877
Net Income for the Period		\$ 7,672	\$ 45,535	\$ 53,207
Other comprehensive loss				
Loss on translating financial statements of foreign operations		(567)	-	(567)
Effective portion of changes in fair value of cash flow hedges	(g)	351	(351)	-
Other comprehensive loss, net of tax		(216)	(351)	(567)
Total Comprehensive Income		\$ 7,456	\$ 45,184	\$ 52,640
Net income (loss) attributable to:				
Owners of the Fund		5,509	47,698	53,207
Non-controlling interests	(e)	2,163	(2,163)	-
Net income for the period		\$ 7,672	\$ 45,535	\$ 53,207
Total comprehensive income (loss) attributable to:				
Owners of the Fund		5,355	47,285	52,640
Non-controlling interests	(e)	2,101	(2,101)	-
Total comprehensive income for the period		\$ 7,456	\$ 45,184	\$ 52,640

Statement of cash flows

In addition to the changes required to adjust for the accounting policy differences described in note 16.2, 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 16.2: 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 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:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Other operating expenses:		
Expense transaction costs	\$ 720	\$ 958
Change in fair value of contingent consideration	-	1,551
Adjustment before income tax	\$ 720	\$ 2,509

	June 30, December 31,	
	2010	2010
Statement of financial position		
Goodwill	\$ (720)	\$ (958)
Accounts payable (contingent liability)	-	(1,551)
Increase to deficit	\$ (720)	\$ (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.

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 IFRS. EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

- 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:

	June 30, December 31,	
	2010	2010
Statement of financial position		
Property and equipment	\$ (517)	\$ (517)
Goodwill	(8,091)	(8,091)
Related tax effect	135	135
Increase to deficit	\$ (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:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Other finance costs (income)		
Change in fair value of trust units	\$ 40,786	\$ 44,546
Reclassification of distributions	(10,242)	(20,558)
Adjustment before income tax	\$ 30,544	\$ 23,988

	June 30, December 31,	
	2010	2010
Statement of financial position		
Increase in financial liability at FVTPL	\$ 177,223	\$ 174,610
Decrease in unit capital	(169,034)	(170,200)
Increase to deficit	\$ 8,189	\$ 4,410

(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 under PCAS, and increased to \$4,524 as at June 30, 2010 and 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, \$4,246 as at June 30, 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:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Other finance costs (income)		
Change in fair value of embedded derivative liability	\$ 3,078	\$ 4,678
Adjustment before income tax	\$ 3,078	\$ 4,678
Statement of financial position		
Increase in convertible debenture embedded derivative liability	\$ 4,246	\$ 2,646
Decrease in convertible debenture - equity component	(4,524)	(4,524)
Increase (decrease) to deficit	\$ (278)	\$ (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 June 30, 2010 and December 31, 2010 was \$13.80 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 \$16,032 during the six months ended June 30, 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 \$4,050 for the six months ended June 30, 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 \$2,163 for the six months ended June 30, 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 June 30, 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:

	June 30, December 31, 2010 2010	
Statement of comprehensive income		
Other finance costs (income)		
Change in fair value of exchangeable interest	\$ 16,032	\$ 17,490
Reclassification of distributions to non-controlling interest	(4,050)	(8,039)
Adjustment before income tax	\$ 11,982	\$ 9,451
	June 30, December 31, 2010 2010	
Statement of financial position		
Increase in financial liability at FVTPL	\$ 69,356	\$ 67,899
Decrease in non-controlling interest	(42,907)	(42,327)
Decrease to deficit	\$ 26,449	\$ 25,572

(f) Indebtedness

Classification of debt

The Company had secured 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. The Company is currently not in violation of its covenants. 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:

	June 30, December 31,	
	2010	2010
Consolidated statement of financial position		
Increase in term debt	\$ (50,615)	\$ -
Decrease in long-term debt	50,615	-
(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, \$694 as at June 30, 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 \$60 and \$108 relating to debt modifications previously expensed in the six months ended June 30, 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 \$20 and \$60 also applies to the periods ended June 30, 2010 and December 31, 2010, respectively.

The impact arising from the change is summarized as follows:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Other finance costs (income):		
Capitalize debt modification costs	\$ 60	\$ 108
Adjust amortization of debt modification costs	(20)	(60)
Adjustment before income tax	\$ 40	\$ 48

	June 30, December 31,	
	2010	2010
Statement of financial position		
Decrease in deferred charges	\$ (694)	\$ (824)
Decrease in term debt	821	-
Decrease in long-term debt	-	959
Decrease to deficit	\$ 127	\$ 135

(g) Interest rate swap

As explained in Note 19.1 of the March 31, 2011 unaudited interim condensed consolidated financial statements, the Company 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 June 30, 2010, the change in fair value of the interest rate swaps resulted in an unrealized gain of \$351. 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:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Other finance costs (income)	\$ (351)	\$ -
Other comprehensive income	351	-
Adjustment before income tax	\$ -	\$ -
Statement of financial position		
Decrease in accumulated other comprehensive loss	\$ (1,091)	\$ (1,442)
Increase to deficit	\$ (1,091)	\$ (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 impairment to a financial asset.

The impact arising from the change is summarized as follows:

	June 30, December 31,	
	2010	2010
Consolidated statement of comprehensive income		
Operating expenses	\$ 950	\$ 3,668
Impairment of financial assets	(950)	(3,668)
Adjustment before income tax	\$ -	\$ -

(i) Foreign currency translation

As explained in Note 19.1 of the March 31, 2011 unaudited interim condensed consolidated financial statements, in accordance with IFRS 1, the Company 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:

	June 30, December 31,	
	2010	2010
Consolidated statement of financial position		
Decrease in cumulative translation adjustment	\$ (5,092)	\$ (5,092)
Increase to deficit	\$ (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:

	June 30, December 31,	
	2010	2010
Statement of financial position		
Decrease in deferred income tax asset (current)	\$ 165	\$ 37
Increase in deferred income tax asset (non-current)	(165)	(37)
Decrease in deferred income tax liability (current)	(1,705)	(1,972)
Increase in deferred income tax liability (non-current)	1,705	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 31 percent for the year ended December 31, 2010:

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Deferred tax expense	\$ 6	\$ 18

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

	June 30, December 31,	
	2010	2010
Statement of comprehensive income		
Deferred tax recovery	\$ 266	\$ 358

	June 30, December 31,	
	2010	2010
Statement of financial position		
Increase in deferred tax asset	\$ 3,838	\$ 3,930
(Increase) decrease to deficit	\$ 3,838	\$ 3,930

NOTE 17: SUBSEQUENT EVENT

On July 29, 2011, the company closed a new 5 year \$120,000 credit facility with an \$80,000 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. The new facility has advantages to the Company including:

- Reduced interest cost;
- Greater flexibility in terms of guarantees and documentation required for non-material acquisitions;
- Reduced financial covenants;

- Reduced standby fee on the \$120,000 committed;
- Enhanced capacity for acquisitions, of an additional \$80,000 to a total of \$200,000; and
- Providing for greater flexibility as the extended 5 year maturity date will extend past the December 31, 2014 due date of the \$46,000 convertible debentures.

This new facility replaces the existing \$150,000 credit facility which was to mature August 31, 2012.