

**FOURTH QUARTER REPORT TO UNITHOLDERS**  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2009

W A J A X I N C O M E F U N D 2 0 0 9

**WAJAX**

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**WJAX INCOME FUND (WJX.UN)**  
**News Release**

**WJAX ANNOUNCES FOURTH QUARTER 2009 RESULTS  
AND PLAN TO CONVERT TO A CORPORATION**

(Dollars in millions, except per unit data)

**CONSOLIDATED RESULTS**

	<b>Three Months Ended December 31</b>		<b>Year Ended December 31</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>	<b>\$250.9</b>	<b>\$317.3</b>	<b>\$973.1</b>	<b>\$1,213.5</b>
<b>Net earnings</b>	<b>\$8.3</b>	<b>\$19.4</b>	<b>\$34.2</b>	<b>\$75.8</b>
<b>Basic earnings per unit</b>	<b>\$0.50</b>	<b>\$1.17</b>	<b>\$2.06</b>	<b>\$4.57</b>
<b>Distributable cash <sup>(1)</sup></b>	<b>\$10.0</b>	<b>\$20.4</b>	<b>\$42.3</b>	<b>\$77.0</b>
<b>Basic distributable cash per unit <sup>(1)</sup></b>	<b>\$0.60</b>	<b>\$1.23</b>	<b>\$2.55</b>	<b>\$4.64</b>
<b><u>SEGMENTS</u></b>				
<b>Revenue - Mobile Equipment</b>	<b>\$127.4</b>	<b>\$148.0</b>	<b>\$476.9</b>	<b>\$635.3</b>
<b>- Industrial Components</b>	<b>\$67.1</b>	<b>\$89.2</b>	<b>\$279.6</b>	<b>\$322.8</b>
<b>- Power Systems</b>	<b>\$57.3</b>	<b>\$80.8</b>	<b>\$220.1</b>	<b>\$258.4</b>
<b>Earnings - Mobile Equipment</b>	<b>\$8.3</b>	<b>\$11.0</b>	<b>\$30.5</b>	<b>\$50.0</b>
% margin	6.5%	7.4%	6.4%	7.9%
<b>- Industrial Components</b>	<b>\$1.0</b>	<b>\$5.0</b>	<b>\$4.7</b>	<b>\$20.2</b>
% margin	1.5%	5.6%	1.7%	6.3%
<b>- Power Systems</b>	<b>\$1.4</b>	<b>\$7.3</b>	<b>\$8.8</b>	<b>\$21.7</b>
% margin	2.4%	9.1%	4.0%	8.4%

<sup>(1)</sup> Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A).

**Toronto, Ontario – February 26, 2010** – Wajax Income Fund today announced fourth quarter 2009 results and its intention to seek unitholder approval to reorganize the Fund into a corporate structure effective January 1, 2011.

**Fourth Quarter Highlights**

- Consolidated fourth quarter revenue of \$250.9 million decreased \$66.4 million, or 21% compared to last year. Mobile Equipment and Power Systems revenue decreased 14% and 29% respectively on lower equipment and parts and service sales. Industrial Components revenue decreased 25% on weak demand for all product categories.
- Net earnings for the quarter were \$8.3 million or \$0.50 per unit compared to \$19.4 million or \$1.17 per unit recorded in 2008. The negative impact of lower volumes and certain equipment and parts margins more than offset the positive impact of lower selling and administrative expenses, income tax recoveries and reduced interest expense compared to last year.
- Fourth quarter basic distributable cash (See Non-GAAP Measures section in the MD&A) decreased to \$0.60 per unit for the quarter compared to \$1.23 per unit in the previous year due to the reduced earnings, partially offset by lower maintenance capital spending.

- Funded debt, net of cash was reduced by \$30.5 million in the quarter on significant non-cash working capital reductions resulting in a year-end funded debt, net of cash position of \$70.3 million.
- The Fund also announced the following organizational changes:

Effective January 1, 2010, Tim Zawislak was appointed to the position of Senior Vice President, Wajax Power Systems. This division has been created to integrate the operations of Waterous and DDACE business units with the objective of becoming a single national provider of power systems.

In January 2010, Gord Duncan decided to step down as Senior Vice President, Industrial Components with a target date of June 30, 2010. Gord has committed to an appropriate transition and his replacement will be appointed prior to his departure.

- The Fund declared monthly distributions of \$0.15 per unit (\$1.80 annualized) for March and April.

Commenting on the results for 2009 and the outlook for 2010, Neil Manning, President and CEO, stated "In 2009 we witnessed an unprecedented decline in market demand in most industry sectors we serve. On a consolidated basis, revenue was down in every sector except for government & utilities. The largest reductions were evident in the construction and conventional oil & gas sectors with the smallest decline in the oil sands. We reacted to these rapidly deteriorating business conditions by reducing headcount by approximately 15% and aggressively cutting other overhead expenses. As well, capital spending was curtailed and non-cash working capital was lowered by more than \$57.0 million.

Looking forward to 2010, we expect overall market demand for our products to improve modestly, weighted more heavily to the second half of the year. We anticipate that the early part of 2010 will continue to be challenging compared to 2009 as revenue in that period benefited from a larger backlog position at the end of 2008. It is expected that activity in the oil sands and the government and utilities sectors will remain strong, with increased activity in mining and metal processing anticipated as demand for commodities continues to grow. While we believe the construction and conventional oil and gas sectors have attractive longer-term growth prospects, in 2010 they are expected to continue to be well off activity levels experienced in the strong markets of 2008."

## **Conversion to a Corporation**

The Fund announced today that its board of trustees has approved a process for the conversion of the Fund to a corporation by way of plan of arrangement under the *Canada Business Corporations Act*. Under the plan of arrangement, effective on or about January 1, 2011, unitholders of the Fund will exchange their units for common shares of a new corporation, to be known as Wajax Corporation, on a one-for-one basis and will continue to indirectly own the same pro rata economic interest in Wajax's business. No tax will be payable by the Fund in connection with the conversion and a tax deferred "rollover" for Canadian federal income tax purposes will be available for the exchange of units for common shares of Wajax Corporation.

On October 31, 2006, the Minister of Finance announced the federal government's plan to change the tax treatment of specified investment flow-through trusts (the "SIFT Rules"). The SIFT Rules impose a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts, such as the Fund, at rates of tax comparable to the combined federal and provincial corporate tax rate and treat such distributions as dividends to unitholders.

Once the Fund becomes subject to the SIFT Rules in 2011, the comparative income tax advantage of the income trust structure over a corporate structure will be eliminated. Commencing in 2011, assuming growth guidelines are not exceeded in the interim, the Fund will no longer be entitled to deduct distributions made to unitholders in calculating its taxable income and, as such, the Fund will be liable to pay income tax on such distributions otherwise made to unitholders at a rate comparable to the combined federal and provincial corporate tax rate. As a result, the SIFT Rules will reduce the amount the Fund has available to distribute to unitholders to the extent of the SIFT tax payable on distributions made to unitholders. Unitholders will be deemed to have received dividends from a taxable Canadian corporation equal to the amount of the distributions. In effect, the Fund will be subject to tax as if it was a corporation, resulting in the loss of the tax and cash yield benefits that underpinned the rationale for adoption of an income trust structure in the first instance.

The board of trustees of the Fund assessed the viability of maintaining the Fund's current trust structure in the circumstances that will prevail in 2011 and concluded that the trust structure would cease to be an effective structure for the maximization of unitholder value beginning in 2011 and that Unitholders would benefit from conversion of the Fund to corporate status at that time. The board of trustees of the Fund has concluded that the conversion is in the Fund's and unitholders' best interests.

Subsequent to conversion, it is anticipated that Wajax Corporation will declare and pay a high proportion of net earnings in the form of monthly dividends. As the Canadian economy recovers, Wajax anticipates that the Fund's economic prospects will correspondingly improve in 2010. If the anticipated improvement does occur, Wajax's intention is to maintain the Fund's current distribution rate throughout the year. In 2011, anticipated increases in earnings will be utilized to absorb, to the extent possible, the impact of the corporate tax burden with the objective of paying monthly cash dividends following conversion in an amount comparable to monthly cash distributions paid as a trust. The difference between the annual aggregate monthly distributions and the Fund's 2010 taxable income, if any, will be paid as a special distribution at year-end in cash, non-cash or a combination thereof.

There can be no assurance that distributions will continue to be paid by the Fund and/or that dividends will be paid by Wajax Corporation following the conversion in any amount or at all. In particular, the board of directors of Wajax Corporation will have the discretion to modify the dividend policy at any time. The ability of Wajax Corporation to pay cash dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax Corporation, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax Corporation, and the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* for the declaration and payment of dividends.

Unitholders of the Fund will be asked to approve the conversion by way of plan of arrangement at the Annual and Special Meeting of the Fund to be held May 7, 2010. The Management Proxy Circular for such meeting, which will provide full details of the proposed conversion, is expected to be mailed to unitholders on or about April 5, 2010 and will be available at [www.sedar.com](http://www.sedar.com). In addition, the conversion is subject to the approval of the Ontario Superior Court. The Toronto Stock Exchange has conditionally approved the listing of the common shares to be issued by Wajax Corporation in exchange for the units of the Fund under the conversion subject to the satisfaction of the requirements of such exchange, which are expected to be met on the effective date of the conversion or as soon as is reasonably practicable thereafter.

Wajax Income Fund is a leading Canadian distributor and service support provider of mobile equipment, industrial components and power systems. Reflecting a diversified exposure to the Canadian economy, its three distinct core businesses operate through a network of 110 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

## **Forward-Looking Statements**

This news release contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward looking information. In particular, but without limitation, this news release contains forward-looking statements relating to: the benefits of the conversion, the timing of the effective date of the conversion, the satisfaction of conditions for listing of the Wajax Corporation common shares, certain income tax consequences in respect of the conversion, the potential for the continued payment of distributions by the Fund until the effective date of the conversion, and the potential for payment of dividends by Wajax Corporation following completion of the conversion.

Forward-looking statements included in this news release reflect management's current beliefs and are based on information currently available to management of the Fund. In particular, forward-looking statements relating to the potential for the continued payment of distributions by the Fund until the effective date of the conversion and the potential payment of dividends by Wajax Corporation following completion of the conversion are based on: the financial and operating attributes of the Fund as at the date hereof, the anticipated operating and financial results of the Fund from the date hereof to the effective date, the anticipated operating and financial results of Wajax Corporation after the effective date, the views of management and the board of trustees of the Fund respecting the benefits associated with the conversion, and the views of management and the board of trustees of the Fund regarding current and anticipated market conditions.

Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting the Fund and its business operations, changes in taxation of the Fund, general business conditions and economic conditions in the markets in which the Fund and its customers compete, fluctuations in commodity prices, the Fund's relationship with its suppliers and manufacturers and its access to quality products, and the ability of the Fund to maintain and expand its customer base, failure of the parties to the proposed conversion of the Fund to a corporation by way of plan of arrangement to satisfy the conditions thereof, inability to meet stock exchange listing requirements, inability to obtain required consents, permits or approvals, including the approval of the Ontario Superior Court of Justice, for the conversion and the requisite unitholders' approval for the conversion, failure to realize anticipated benefits of the conversion, actual future market conditions being different than anticipated by management and the board of trustees of the Fund, and actual future operating and financial results of the Fund and/or Wajax Corporation being different than anticipated by management and the board of trustees of the Fund. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in the Fund's management's discussion and analysis for the year ended December 31, 2009 under the heading "Risk and Uncertainties", and in other reports filed by the Fund with Canadian securities regulators and available at [www.sedar.com](http://www.sedar.com). See also the full details of the proposed conversion to be included in the Management Proxy Circular for the Fund's unitholder meeting to be held on May 7, 2010 expected to be mailed on or about April 5, 2010 and which will be available at [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this news release and neither the Fund nor Wajax Corporation undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

# **Management's Discussion and Analysis – Q4 2009**

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Income Fund (the "Fund" or "Wajax") for the quarter ended December 31, 2009. This MD&A should be read in conjunction with the information contained in the interim Unaudited Consolidated Financial Statements and accompanying notes for the quarter ended December 31, 2009, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2009 and the associated MD&A. Information contained in this MD&A is based on information available to management as of February 26, 2010.

Unless otherwise indicated, all financial information within this MD&A is in millions of dollars, except per unit data.

Additional information, including the Fund's Annual Report and Annual Information Form, are available at [www.sedar.com](http://www.sedar.com).

## **Responsibility of Management and the Board of Trustees**

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The Fund's Board of Trustees has approved this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes. In addition, the Fund's Audit Committee, on behalf of the Board of Trustees, provides an oversight role with respect to all public financial disclosures made by the Fund, and has reviewed this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes.

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Fund has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Fund is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. The Fund has designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles.

The Fund's Kinecor segment has been implementing a new computer system to manage its business. During the quarter the final portion of the business was migrated to the new system, resulting in a material change in ICFR.

## **Wajax Income Fund Overview**

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20<sup>th</sup> day of the following month. The Fund may make special cash and/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year. Cash distributions are dependent on, among other things, the cash flow of the Fund. See the Conversion to corporate structure section.

The Fund's core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 110 branches across Canada. The Fund is a multi-line distributor and represents a number of leading worldwide manufacturers

across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

The Fund's strategy is to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining the Fund's strong balance sheet. Revenue growth will be achieved through market share gains, new geographic territories and the addition of new complementary product lines either organically or through acquisitions.

## Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. In particular, but without limitation, this MD&A contains forward-looking statements relating to: the proposed conversion of the Fund to a corporation, the timing of the effective date of the conversion, the potential for the continued payment of distributions by the Fund until the effective date of the conversion, and the potential for payment of dividends by Wajax Corporation following completion of the conversion. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. In particular, forward-looking statements relating to the potential for the continued payment of distributions by the Fund until the effective date of the conversion and the potential payment of dividends by Wajax Corporation following completion of the conversion are based on: the financial and operating attributes of the Fund as at the date hereof, the anticipated operating and financial results of the Fund from the date hereof to the effective date, the anticipated operating and financial results of Wajax Corporation after the effective date, the views of management and the board of trustees of the Fund respecting the benefits associated with the conversion, and the views of management and the board of trustees of the Fund regarding current and anticipated market conditions. Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting the Fund and its business operations, changes in taxation of the Fund, general business conditions and economic conditions in the markets in which the Fund and its customers compete, fluctuations in commodity prices, the Fund's relationship with its suppliers and manufacturers and its access to quality products, the ability of the Fund to maintain and expand its customer base, failure of the parties to the proposed conversion of the Fund to a corporation by way of plan of arrangement to satisfy the conditions thereof, inability to obtain required consents, permits or approvals, including the approval of the Ontario Superior Court of Justice, for the conversion and the requisite unitholders' approval for the conversion, actual future market conditions being different than anticipated by management and the board of trustees of the Fund, and actual future operating and financial results of the Fund and/or Wajax Corporation being different than anticipated by management and the board of trustees of the Fund. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by the Fund with Canadian securities regulators and available at [www.sedar.com](http://www.sedar.com). See also the full details of the proposed conversion to be included in the Management Proxy Circular for the Fund's unitholder meeting to be held on May 7, 2010 expected to be mailed on or about April 5, 2010 and which will be available at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and neither the Fund nor Wajax Corporation undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## Consolidated Results

	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Revenue	\$250.9	\$317.3	\$973.1	\$1,213.5
Gross profit	\$56.8	\$76.1	\$233.5	\$284.8
Selling and administrative expenses	\$47.9	\$54.9	\$196.8	\$202.4
Earnings before interest and income taxes	\$8.9	\$21.3	\$36.7	\$82.4
Interest expense	\$1.0	\$1.4	\$4.5	\$4.7
Income tax (recovery) expense	(\$0.4)	\$0.5	(\$2.0)	\$1.8
<b>Net earnings</b>	<b>\$8.3</b>	<b>\$19.4</b>	<b>\$34.2</b>	<b>\$75.8</b>
<b>Distributable cash<sup>(1)</sup></b>	<b>\$10.0</b>	<b>\$20.4</b>	<b>\$42.3</b>	<b>\$77.0</b>
<b>Distributions declared</b>				
- Cash	\$7.5	\$17.9	\$41.0	\$68.5
- Non-cash <sup>(3)</sup>	-	\$7.8	-	\$7.8
<b>Distributions paid</b>				
- Monthly	\$7.5	\$17.9	\$44.5	\$68.0
- Special	-	-	-	\$7.8
<b>Earnings per unit</b>				
- Basic	\$0.50	\$1.17	\$2.06	\$4.57
- Diluted	\$0.50	\$1.15	\$2.04	\$4.53
<b>Distributable cash per unit <sup>(1)</sup></b>				
- Basic <sup>(2)</sup>	\$0.60	\$1.23	\$2.55	\$4.64
- Diluted	\$0.59	\$1.22	\$2.52	\$4.60
<b>Distributions declared per unit <sup>(2)</sup></b>				
- Cash	\$0.45	\$1.08	\$2.47	\$4.13
- Non- cash <sup>(3)</sup>	-	\$0.47	-	\$0.47
<b>Distributions paid per unit <sup>(2)</sup></b>				
- Monthly	\$0.45	\$1.08	\$2.68	\$4.10
- Special	-	-	-	\$0.47

(1) Non-GAAP measure, see the Non-GAAP Measures and Distributable Cash sections.

(2) Based on actual number of units outstanding on the relevant record date.

(3) See Distributions section.

### Revenue

Revenue in the fourth quarter of 2009 decreased \$66.4 million to \$250.9 million, from \$317.3 million in 2008. Segment revenue decreased 14% in Mobile Equipment, 25% in Industrial Components and 29% in Power Systems compared to last year.

For the twelve months ended December 31, 2009, revenue decreased \$240.4 million, or 20%, compared to last year. Excluding Peacock, which was acquired September 5, 2008, revenue for the twelve months ended December 31, 2009 decreased \$260.5 million, or 22%, compared to last year.

### Gross profit

Gross profit in the fourth quarter of 2009 decreased \$19.3 million due to the negative impact of lower revenue and gross profit margins compared to last year. The gross profit margin percentage for the quarter decreased to 22.5% in 2009 from 24.0% in 2008 due to lower margins on parts and cost overruns on generator set sales in Waterous compared to last year.



For the twelve months ended December 31, 2009, gross profit decreased \$51.3 million compared to last year. The gross profit margin percentage increased to 24.0% in 2009 from 23.5% in 2008.

### **Selling and administrative expenses**

Selling and administrative expenses decreased \$7.0 million in the quarter compared to last year. Lower personnel costs and other sales related expense reductions were partially offset by a decline in expense recoveries and \$0.9 million of severance costs. Selling and administrative expenses as a percentage of revenue increased to 19.1% in 2009 from 17.3% in 2008.

For the twelve months ended December 31, 2009, selling and administrative expenses decreased \$5.6 million compared to last year. This was primarily due to reduced personnel and other sales related expenses, offset by Peacock selling and administrative expenses of \$8.3 million, a decline in expense recoveries and a \$3.0 million increase in severance costs compared to last year. In 2008, selling and administrative expenses only included Peacock expenses for the period since its acquisition in September 2008. Selling and administrative expenses as a percentage of revenue increased to 20.2% in 2009 from 16.7% in 2008.

### **Interest expense**

Quarterly interest expense of \$1.0 million decreased \$0.4 million compared to last year due to lower funded debt net of cash ("funded net debt") outstanding in 2009 and lower interest rates compared to last year.

For the twelve months ended December 31, 2009, interest expense decreased \$0.2 million compared to 2008. The positive impact of lower interest rates was mostly offset by the impact of higher funded net debt outstanding in 2009 compared to last year.

### **Income tax expense**

The effective income tax rate of negative 5.2% for the quarter decreased from 2.7% the previous year due mainly to a recovery of current income taxes resulting from a tax loss in the Fund's subsidiary Wajax Limited.

For the twelve months ended December 31, 2009, the effective income tax rate of negative 6.2% decreased from 2.3% the previous year due primarily to a recovery of current income taxes resulting from a tax loss in the Fund's subsidiary Wajax Limited.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 30.7% as the majority of the Fund's income is not currently subject to tax in the Fund.

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and is not currently taxable on its income to the extent that it is distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all income earned by the Fund is distributed to its unitholders. Accordingly, no provision for income taxes is required on income earned by the Fund that is distributed to its unitholders. The Fund's corporate subsidiaries are subject to tax on their taxable income.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income tax rate. The Fund may become taxable on its distributions prior to 2011 if its equity capital grows beyond certain dollar limits measured by reference to the Fund's market capitalization on October 31, 2006. The Fund has not exceeded its growth limits at December 31, 2009.

On March 12, 2009 legislation was enacted to permit income funds to "convert" into public corporations without triggering adverse tax consequences to the income fund and its unitholders. See the Conversion to corporate structure section.

### **Net earnings**

Quarterly net earnings of \$8.3 million, or \$0.50 per unit, decreased \$11.1 million from \$19.4 million, or \$1.17 per unit, in 2008. The negative impact of lower volumes and margins outweighed the positive impact of lower selling and administrative expenses, income tax recoveries and reduced interest expense compared to last year.

For the twelve months ended December 31, 2009, net earnings decreased \$41.6 million to \$34.2 million, or \$2.06 per unit, from \$75.8 million, or \$4.57 per unit, in 2008. The negative impact of lower volumes and margins more than offset the positive impact of lower selling and administrative expenses, income tax recoveries and reduced interest expense compared to last year.

**Comprehensive income**

Comprehensive income for the quarter of \$8.6 million decreased \$9.1 million from \$17.7 million the previous year due to the \$11.1 million decrease in net earnings, partially offset by a \$1.9 million decrease in other comprehensive loss compared to last year. The decrease in other comprehensive loss resulted from a decrease in losses on derivative contracts designated as cash flow hedges outstanding at the end of the quarter and losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory.

For the twelve months ended December 31, 2009, comprehensive income of \$34.2 million decreased \$39.5 million from \$73.7 million the previous year due to the \$41.6 million decrease in net earnings, offset in part by a \$2.1 million decrease in other comprehensive loss compared to last year. The decrease in other comprehensive loss resulted from gains on derivative contracts designated as cash flow hedges outstanding at the end of the year, partially offset by an increase in gains on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory.

**Funded net debt**

Funded net debt of \$70.3 million decreased \$30.5 million compared to September 30, 2009. Fourth quarter cash flows from operating activities before changes in non-cash working capital of \$11.2 million and a decrease in non-cash working capital of \$29.9 million exceeded cash distributions of \$7.5 million and capital spending of \$3.0 million. Compared to December 31, 2008 funded net debt decreased \$50.2 million. The Fund's quarter-end debt-to-equity ratio of 0.35:1 at December 31, 2009 decreased from last quarter's ratio of 0.51:1 and decreased from last year's ratio of 0.59:1.

**Distributable cash (see Non-GAAP Measures section) and distributions**

For the quarter ended December 31, 2009 distributable cash was \$10.0 million, or \$0.60 per unit, compared to \$20.4 million, or \$1.23 per unit, the previous year. The decrease was due to lower cash flows from operations before changes in non-cash working capital, offset partially by lower maintenance capital expenditures compared to last year. For the quarter ended December 31, 2009 monthly cash distributions declared were \$0.45 per unit (2008 - \$1.08 per unit).

For the twelve months ended December 31, 2009 distributable cash was \$42.3 million, or \$2.55 per unit, compared to \$77.0 million, or \$4.64 per unit, the previous year. The decrease was essentially attributable to lower cash flows from operations before changes in non-cash working capital, offset by lower maintenance capital expenditures compared to last year. For the twelve months ended December 31, 2009 monthly cash distributions declared were \$2.47 per unit (2008 - \$4.13 per unit). For 2009, \$2.16 per unit (2008 - \$4.13 per unit) of distributions will be treated as other income and \$0.31 per unit (2008 - \$nil) of distributions will be treated as a return of capital for Canadian income tax purposes. In 2008, a \$0.47 per unit special non-cash distribution was paid to ensure the Fund's total distributions for the year equaled its taxable income. Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2009 of \$1.3 million, or \$0.08 per unit, provides the Fund an amount for future capital requirements or distributions.

On February 26, 2010 the Fund announced monthly cash distributions of \$0.15 per unit (\$1.80 annualized) for the months of March and April payable on April 20, 2010 and May 20, 2010 to unitholders of record on March 31, 2010 and April 30, 2010 respectively.

Unitholder tax information relating to 2009 and 2008 distributions is available on the Fund's website at [www.wajax.com](http://www.wajax.com).

**Conversion to corporate structure**

On February 26, 2010 the Fund announced that at the Fund's Annual and Special Unitholders' Meeting to be held on May 7, 2010, unitholders will be asked to approve the conversion of the Fund to a corporation pursuant to a plan of arrangement under the Canada Business Corporations Act (the "CBCA") effective on or about January 1, 2011. If approved, the arrangement will result in the reorganization of the Fund into a corporate structure and Unitholders will receive one common share of a new corporation to be called Wajax Corporation for each Unit of the Fund held. Wajax Corporation will continue to be managed by the existing management team.

Subsequent to conversion, it is anticipated that Wajax Corporation will declare and pay a high proportion of net earnings in the form of monthly dividends.

As the Canadian economy recovers, we anticipate that the Fund's economic prospects will correspondingly improve in 2010. If the anticipated improvement does occur, our intention is to maintain the Fund's current distribution rate throughout the year. In 2011, anticipated increases in earnings will be utilized to absorb, to the extent possible, the impact of the corporate tax burden with the objective of paying monthly cash dividends following conversion in an amount comparable to monthly cash distributions paid as a trust.

The difference between the annual aggregate monthly distributions and our 2010 taxable income, if any, will be paid as a special distribution at year-end in cash, non-cash or a combination thereof.

There can be no assurance, however, that such dividends will be paid in such amounts or at all. The board of directors of Wajax Corporation will have the discretion to modify the dividend policy at any time. The ability of Wajax Corporation to pay cash dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax Corporation, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax Corporation, and the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends. See the Risk and Uncertainties section.

## Quarterly Results of Operations

### Mobile Equipment

	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Equipment	<b>\$82.0</b>	\$97.0	<b>\$290.1</b>	\$430.1
Parts and service	<b>\$45.4</b>	\$51.0	<b>\$186.8</b>	\$205.2
Gross revenue	<b>\$127.4</b>	\$148.0	<b>\$476.9</b>	\$635.3
Segment earnings	<b>\$8.3</b>	\$11.0	<b>\$30.5</b>	\$50.0
Segment earnings margin	<b>6.5%</b>	7.4%	<b>6.4%</b>	7.9%

Revenue in the fourth quarter of 2009 decreased \$20.6 million, or 14%, to \$127.4 million from \$148.0 million in the fourth quarter of 2008. Segment earnings for the quarter decreased \$2.7 million to \$8.3 million compared to the fourth quarter of 2008. The following factors contributed to the Mobile Equipment segment's fourth quarter results:

- Equipment revenue decreased \$15.0 million compared to last year as overall market demand for new equipment in the construction and forestry and material handling sectors declined on average by approximately 25%. Specific quarter-over-quarter variances included the following:
  - Construction and forestry equipment revenue decreased \$10.8 million. Declines in new Hitachi excavator and JCB construction equipment sales in western and eastern Canada were partially offset by the higher sales of Tigercat forestry products across all regions.
  - Material handling equipment revenue decreased \$4.6 million due to reductions in new equipment sales and rental volumes in all regions.
  - Mining equipment revenue increased \$2.3 million due largely on increased underground mining equipment deliveries.
  - Crane and utility equipment revenue decreased \$1.9 million due primarily to a decline in new equipment crane sales in western Canada.
- Parts and service volumes decreased \$5.6 million compared to last year on declines across all sectors and regions.
- Earnings decreased \$2.7 million to \$8.3 million compared to last year as the negative impact of lower volumes and parts and service margins outweighed the benefit of a \$1.5 million decrease in selling and administrative expenses. Selling and administrative expenses decreased as a result of lower personnel expenses and other sales related costs offset by lower expense recoveries and higher severance costs compared to last year.

The segment's crane product offering in eastern Canada was recently expanded to include Kobelco crawler cranes and Tadano rough terrain cranes, for use primarily in industrial/commercial and transportation infrastructure projects.

During the year management took considerable steps to reduce the segment's cost base in response to the significant decline in market demand experienced since late 2008. Mobile Equipment's workforce was reduced by over 15% in 2009 and certain other costs were eliminated or realigned to meet the lower market demand. It is expected that the segment's future profitability will be enhanced through sales growth while continuing to contain overhead costs.

## Industrial Components

	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Gross revenue	<b>\$67.1</b>	\$89.2	<b>\$279.6</b>	\$322.8
Segment earnings	<b>\$1.0</b>	\$5.0	<b>\$4.7</b>	\$20.2
Segment earnings margin	<b>1.5%</b>	5.6%	<b>1.7%</b>	6.3%

Revenue in Industrial Components of \$67.1 million decreased \$22.1 million from \$89.2 million in the fourth quarter of 2008. Segment earnings decreased \$4.0 million to \$1.0 million in the quarter compared to the previous year. The following factors contributed to the segment's fourth quarter results:

- Bearings and power transmission parts sales decreased \$6.7 million compared to last year due primarily to reduced sales in the forestry, mining, industrial and metal processing sectors across all regions. Lower natural gas drilling activity in western Canada also contributed to the decrease.
- Fluid power and process equipment products and service revenue decreased \$15.4 million across all regions and sectors. Reduced natural gas drilling activity in western Canada and decreased sales to both industrial customers and resellers accounted for most of the decline.
- Segment earnings decreased \$4.0 million compared to last year. The negative impact of lower volumes outweighed the positive impact of reduced selling and administrative expenses. Selling and administrative expenses declined \$3.1 million due mainly to lower personnel and other sales related expenses and reduced computer system conversion costs.

During the quarter, implementation of the new computer system was completed across the Industrial Components segment. This new system will provide additional functionality and capacity to accommodate future growth.

During the year management took considerable steps to reduce the segment's cost base in response to the significant decline in market demand experienced since late 2008. Industrial Component's workforce was reduced by over 14% in 2009 and certain other costs were eliminated or realigned to meet the lower market demand. It is expected that the segment's future profitability will be enhanced through sales growth, margin improvement and continued refinement of its re-sized cost structure.

Subsequent to year end, Mr. Gordon Duncan decided to step down as Senior Vice President, Industrial Components with a target date of June 30, 2010. He has committed to an appropriate transition and his replacement will be appointed prior to his departure.

## Power Systems

	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Equipment	<b>\$25.3</b>	\$44.0	<b>\$91.5</b>	\$117.8
Parts and service	<b>\$32.0</b>	\$36.8	<b>\$128.6</b>	\$140.6
Gross revenue	<b>\$57.3</b>	\$80.8	<b>\$220.1</b>	\$258.4
Segment earnings	<b>\$1.4</b>	\$7.3	<b>\$8.8</b>	\$21.7
Segment earnings margin	<b>2.4%</b>	9.1%	<b>4.0%</b>	8.4%

Revenue in the fourth quarter decreased \$23.5 million to \$57.3 million compared to \$80.8 million in 2008. Segment earnings decreased \$5.9 million to \$1.4 million in the quarter compared to the previous year. The following factors impacted quarterly revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada decreased \$16.8 million compared to last year. Equipment sales decreased \$11.0 million due mainly to a reduction in engine sales to oil and gas drilling and servicing customers. Parts and service revenue decreased \$5.8 million most notably on lower sales to off-highway customers in the natural gas sector.
- Revenue at the eastern Canada operation, DDACE Power Systems ("DDACE") decreased \$6.7 million compared to 2008. Equipment sales decreased \$7.6 million on lower generator set deliveries. Parts and service revenue increased \$0.9 million compared to last year.
- Segment earnings decreased \$5.9 million as the negative impact of lower volumes and margins was only partially offset by a decrease in selling and administrative expenses compared to last year. Reduced margins resulted from cost overruns on generator set packages in Waterous and foreign exchange related parts margin reductions. Selling and administrative expenses decreased \$2.3 million due principally to reductions in personnel and other sales related expenses.

During the year management took considerable steps to reduce the segment's cost base in western Canada in response to the significant decline in oil and gas drilling activity since late 2008. The Waterous workforce was reduced by over 18% in 2009 and certain other costs were eliminated or realigned to meet the lower market demand. It is expected that the segment's future profitability will be enhanced through growth in revenue and margins.

Effective January 1, 2010, Mr. Tim Zawislak was appointed to the position of Senior Vice President, Wajax Power Systems. The Wajax Power Systems division has been created to integrate the operations of Waterous and DDACE with the objective of becoming a single national provider of power systems with a presence in all markets across Canada.

## Selected Quarterly Information

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	<b>\$250.9</b>	\$226.7	\$239.6	\$255.8	\$317.3	\$299.2	\$311.2	\$285.7
Net earnings	<b>\$8.3</b>	\$6.8	\$9.8	\$9.3	\$19.4	\$18.4	\$20.0	\$18.1
Net earnings per unit								
- Basic	<b>\$0.50</b>	\$0.41	\$0.59	\$0.56	\$1.17	\$1.11	\$1.20	\$1.09
- Diluted	<b>\$0.50</b>	\$0.40	\$0.59	\$0.55	\$1.15	\$1.10	\$1.19	\$1.08
Distributable cash <sup>(1)</sup>	<b>\$10.0</b>	\$9.6	\$11.3	\$11.4	\$20.4	\$19.4	\$18.8	\$18.4
Distributable cash per unit <sup>(1)</sup>								
- Basic	<b>\$0.60</b>	\$0.58	\$0.68	\$0.69	\$1.23	\$1.17	\$1.14	\$1.11

(1) Non-GAAP measure, see the Non-GAAP Measures section.

A discussion of the Fund's previous quarterly results can be found in the Fund's quarterly MD&A reports available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Liquidity and Capital Resources

The Fund generated \$38.1 million of cash before financing activities in the fourth quarter of 2009 compared to \$1.7 million in the fourth quarter of 2008. The \$36.4 million increase in cash flows generated before financing activities was due to a decrease in non-cash working capital offset in part by a reduction in cash flows from operations before changes in non-cash working capital.

Cash flows from operating activities amounted to \$41.1 million in the fourth quarter of 2009, with \$11.2 million of cash generated from operating activities before changes in non-cash working capital and a \$29.9 million decrease in non-cash working capital. Changes in non-cash working capital for the three months ended December 31, 2009 include the following components:

### (Decrease) increase in non-cash working capital

Accounts receivable	<b>(\$5.3)</b>	Note 1
Inventories	<b>(\$29.1)</b>	Note 2
Prepaid expenses and other recoverable amounts	<b>\$3.3</b>	Note 3
Accounts payable and accrued liabilities	<b>\$0.8</b>	
Income taxes payable	<b>\$0.4</b>	
Total	<b>(\$29.9)</b>	

1. Accounts receivable decreased \$5.3 million due to a reduction in days sales outstanding in Mobile Equipment, offset partially by higher fourth quarter sales.
2. Inventory decreased \$29.1 million due to a large mining equipment delivery in Mobile Equipment, two large generator set package deliveries in Power Systems and general reductions in Industrial Components.
3. Prepaid expenses increased \$3.3 million due mainly to higher deposits with suppliers in Power Systems.

During the quarter the Fund invested a net amount of \$3.0 million. Investing activities included \$2.8 million of other various capital asset additions net of disposals and \$0.3 million of lift truck rental fleet additions net of disposals.

Working capital, exclusive of cash and bank indebtedness, decreased \$28.5 million to \$150.9 million at December 31, 2009 from \$179.4 million at September 30, 2009. The decrease was due to the cash flow factors listed above.

Funded net debt of \$70.3 million decreased \$30.5 million compared to September 30, 2009. Fourth quarter cash flows from operating activities before changes in non-cash working capital of \$11.2 million and a decrease in non-cash working capital of \$29.9 million exceeded cash distributions of \$7.5 million and capital spending of \$3.0 million. Compared to December 31, 2008 funded net debt decreased \$50.2 million. The Fund's quarter-

end debt-to-equity ratio of 0.35:1 at December 31, 2009 decreased from last quarter's ratio of 0.51:1 and decreased from last year's ratio of 0.59:1.

At December 31, 2009 the Fund had borrowed \$80.0 million and issued \$4.7 million of letters of credit for a total utilization of \$84.7 million of its \$175 million bank credit facility and had no utilization of its \$15 million equipment financing facility. Borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. At December 31, 2009 borrowing capacity under the bank credit facility was equal to \$172.8 million.

On February 26, 2010 the Fund announced that at the Fund's Annual and Special Unitholders' Meeting to be held on May 7, 2010, unitholders will be asked to approve the conversion of the Fund to a corporation pursuant to a plan of arrangement under the Canada Business Corporations Act effective January 1, 2011. If approved, the arrangement will result in the reorganization of the Fund into a corporate structure and Unitholders will receive one common share of a new corporation to be called Wajax Corporation for each Unit of the Fund held. Lenders providing the Fund's \$175 million bank credit facility have agreed to the conversion of Wajax to a corporation provided the Fund is otherwise in compliance with the terms of its credit facility.

The Fund's \$175 million bank credit facility along with \$15 million of capacity permitted in addition to the credit facility, should be sufficient to meet the Fund's short-term normal course working capital, maintenance capital and growth capital requirements. In the long-term the Fund may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

During the first quarter of 2009, Wajax was notified that one of its inventory financing providers decided to exit the wholesale inventory financing business in Canada. The provision of inventory financing from this provider to Mobile Equipment was terminated effective December 31, 2009. The amount owing on the termination date of \$4.7 million, all of which was non-interest bearing inventory financing, is repayable in accordance with repayment schedules in effect at that time. Effective November 3, 2009, Wajax entered into an agreement with a new inventory finance company to provide up to \$30 million of inventory financing to Mobile Equipment.

The Fund sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and a small group of employees on long-term disability benefits. The fair value of the defined benefit plans' assets increased \$1.9 million to \$11.0 million at December 31, 2009 due to a \$1.5 million return on plan assets and excess contributions over benefits paid for the year. In addition, the accrued benefit obligations at December 31, 2009 were \$15.7 million and include a \$3.5 million benefit obligation related to the Wajax Limited Supplemental Executive Retirement Plan (SERP) that is not funded. The resulting plan deficit at December 31, 2009 excluding the SERP, which is secured by a \$3.9 million letter of credit, was \$1.3 million. The defined benefit plans are subject to actuarial valuations in 2010 and 2012. Management does not expect future cash contribution requirements to change materially from the 2009 contribution level of \$1.2 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

## Financial Instruments

The Fund uses derivative financial instruments in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. Significant derivative financial instrument transactions and those outstanding at the end of the quarter were as follows:

- The Fund has entered into the following interest rate swaps that have effectively fixed the interest rate on \$80 million of the Fund's debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:
  - On June 7, 2008 the delayed interest rate swap the Fund entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until expiry of the facility on December 31, 2011.
  - On January 23, 2009, the delayed interest rate swap the Fund entered into on December 18, 2008 with two of its lenders became effective. As a result, the interest rate on the \$50 million revolving term portion of the bank credit facility was effectively fixed at 1.92% plus applicable margins until expiry of the facility on December 31, 2011.
  - Margins on the debt associated with the interest rate swaps depend on the Fund's Leverage Ratio and range between 0.75% and 2.5%.

- The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at December 31, 2009, the Fund had contracts outstanding to buy U.S.\$20.5 million and to sell U.S.\$0.03 million (December 31, 2008 – to buy U.S.\$13.2 million and €0.04 million and to sell U.S.\$10.0 million). The U.S. dollar contracts expire between January 2010 and November 2010, with a weighted average U.S. dollar rate of 1.0665.

The Fund measures financial instruments held for trading at fair value with subsequent changes in fair value being charged to earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values.

## Currency Risk

The Fund's operating results are reported in Canadian dollars. While the Fund's sales are primarily denominated in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on the Fund's revenue, margins and working capital balances. The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. See the Financial Instruments section.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on the Fund's revenue and cash flows as a result of certain products being imported from the U.S. Market conditions generally require the Fund to lower its selling prices as the U.S. dollar declines. As well, many of the Fund's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from the Fund.

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on the Fund's revenue as a result of certain products being imported from the U.S. The Fund will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded.

The Fund maintains a hedging policy whereby significant transactional currency risks are identified and hedged.

## Contractual Obligations

Contractual Obligations	Total	2010	2011	2012	2013	2014	After 2014
Long-term debt	<b>\$ 80.0</b>	\$ -	\$ 80.0	\$ -	\$ -	\$ -	\$ -
Operating leases	<b>\$ 85.1</b>	\$ 17.9	\$ 14.4	\$ 11.6	\$ 8.4	\$ 6.0	\$ 26.8
Total	<b>\$ 165.1</b>	\$ 17.9	\$ 94.4	\$ 11.6	\$ 8.4	\$ 6.0	\$ 26.8

The \$80.0 million long-term debt obligation in 2011 relates to the bank term credit facility, see the Liquidity and Capital Resources section. For more information on the Fund's operating lease obligations, see the Off Balance Sheet Financing section below.

The Fund also has contingent contractual obligations where the Fund has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2009, the Fund had guaranteed \$7.1 million (2008 - \$6.7 million) for contracts with commitments arising between 2010 and 2014. The commitments made by the Fund for the guaranteed residual value contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. The Fund has not recorded a provision in 2009 as financial exposure is not expected to result from such commitments (2008 – \$0.2 million).



## Off Balance Sheet Financing

The Mobile Equipment segment had \$22.2 million of consigned inventory on-hand from a major manufacturer as at December 31, 2009. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in the Fund's inventory as the manufacturer retains title to the goods.

The Fund's off balance sheet financing arrangements include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At December 31, 2009, the non-discounted operating lease commitment for the rental fleet was \$11.5 million (December 31, 2008 - \$12.5 million).

In the event the inventory consignment program was terminated, the Fund would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its bank credit facility. In the event the rental fleet program was terminated, the Fund would source alternative lenders to replicate the off balance sheet rental fleet program and/or utilize capacity under its credit facility to finance future additions to the rental fleet. Although management currently believes the Fund has adequate debt capacity, the Fund would have to access the equity or debt markets, or temporarily reduce distributions to accommodate any shortfalls in the Fund's credit facility. See the Liquidity and Capital Resources section.

## Non-GAAP Measures

To supplement the consolidated financial statements, the Fund uses non-GAAP financial measures that do not have standardized meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures used by other entities.

"Distributable cash" and "Distributable cash per unit" are not recognized measures under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. Accordingly, "Distributable cash" and "Distributable cash per unit" as presented may not be comparable to similar measures presented by other entities. The Fund believes that "Distributable cash" and "Distributable cash per unit" are useful financial metrics as they represent the key determination of cash flow available for distribution to unitholders.

"Distributable cash" and "Distributable cash per unit" should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable, and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See the Distributable Cash section below for the method of calculating the Fund's "Distributable cash".

"Maintenance capital expenditures" is not a recognized measure under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. The Fund believes that "Maintenance capital expenditures" represents cash expenditures required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are not considered to be expenditures to maintain normal operations. See the Distributable Cash and Estimated Distributable Cash sections below for the method of calculating "Maintenance capital expenditures".

"Standardized distributable cash" and "Standardized distributable cash per unit" are not recognized measures under GAAP. However, "Standardized distributable cash" has been calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. While the Fund has followed the principles of this guidance, the Fund has made assumptions and judgments in determining how such guidance is to be applied. In this respect, the Fund's calculation may differ from similar calculations done by other entities. See the Standardized Distributable Cash and Reconciliation to Distributable Cash section for the method of calculating the Fund's "Standardized distributable cash".

## Distributions

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The Fund may make special cash and/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year.

Distributions are based on distributable cash (see Non-GAAP Measures and Distributable Cash sections) and depend on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures (see Non-GAAP Measures section) and any amount that the Trustees may reasonably consider to be necessary to provide for the payment of costs or other obligations that have been or are reasonably expected to be incurred by the Fund. See the Conversion to corporate structure, Liquidity and Capital Resources, and Distributable Cash sections.

Cash distributions to unitholders were declared as follows:

<b>Record Date</b>	<b>Payment Date</b>	<b>Per Unit</b>	<b>Amount</b>
October 30, 2009	November 20, 2009	\$0.15	\$2.5
November 30, 2009	December 21, 2009	0.15	2.5
December 31, 2009	January 20, 2010	0.15	2.5
<b>Three months ended December 31, 2009</b>		<b>\$0.45</b>	<b>\$7.5</b>

(1) See Distributable Cash section below

Cash distributions paid by the Fund during the quarter were funded from cash generated by the Fund's operations before changes in non-cash working capital.

On December 15, 2009 the Fund announced monthly cash distributions of \$0.15 per unit (\$1.80 annualized) for the months of January and February payable on February 22, 2010 and March 22, 2010 to unitholders of record on January 29, 2010 and February 26, 2010 respectively.

On February 26, 2010 the Fund announced monthly cash distributions of \$0.15 per unit (\$1.80 annualized) for the months of March and April payable on April 20, 2010 and May 20, 2010 to unitholders of record on March 31, 2010 and April 30, 2010 respectively.

Unitholder tax information relating to 2008 and 2009 distributions is available on the Fund's website at [www.wajax.com](http://www.wajax.com).

## Distributable Cash<sup>(1)</sup>

The Fund believes that distributable cash is a useful metric in determining distributions to unitholders. The following is a reconciliation of cash flows from operating activities before changes in non-cash working capital (a GAAP measure) to distributable cash (a non-GAAP measure).

	For the quarter ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
<b>Cash flows from operating activities</b>	<b>\$41.1</b>	<b>\$4.8</b>	<b>\$102.4</b>	<b>\$58.7</b>
Changes in non-cash working capital <sup>(2)</sup>	<b>(29.9)</b>	17.7	<b>(57.3)</b>	28.8
<b>Cash flows from operating activities before changes in non-cash working capital</b>	<b>11.2</b>	22.5	<b>45.1</b>	87.5
Entity specific adjustments <sup>(3)</sup> :				
Maintenance capital expenditures <sup>(1)</sup> (3a)	<b>(0.6)</b>	(2.0)	<b>(2.5)</b>	(11.1)
Accrual for mid-term incentives <sup>(3b)</sup>	<b>(0.5)</b>	-	-	0.9
Amortization of deferred financing charges <sup>(3c)</sup>	<b>(0.1)</b>	(0.1)	<b>(0.3)</b>	(0.3)
<b>Distributable Cash<sup>(1)</sup> - \$</b>	<b>10.0</b>	20.4	<b>42.3</b>	77.0
<b>- per unit basic</b>	<b>\$0.60</b>	\$1.23	<b>\$2.55</b>	\$4.64
<b>- per unit fully diluted</b>	<b>\$0.59</b>	\$1.22	<b>\$2.52</b>	\$4.60
<b>Distributions Declared - \$</b>				
<b>- Cash</b>	<b>7.5</b>	17.9	<b>41.0</b>	68.5
<b>- Non-cash <sup>(4)</sup></b>	<b>-</b>	7.8	<b>-</b>	7.8
<b>Distributions Declared – per unit</b>				
<b>- Cash</b>	<b>\$0.45</b>	\$1.08	<b>\$2.47</b>	\$4.13
<b>- Non-cash <sup>(4)</sup></b>	<b>-</b>	\$0.47	<b>-</b>	\$0.47
<b>Payout Ratio <sup>(5)</sup></b>	<b>75.0%</b>	87.9%	<b>96.9%</b>	88.9%

(1) Non-GAAP measure, see Non-GAAP Measures section

(2) Changes in Non-cash Working Capital are excluded from the calculation of distributable cash as the Fund currently has a \$175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements (subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable) and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See "Financing Strategies" section for discussion of bank credit facility financial covenants.

(3) Other Entity Specific Adjustments made in calculating distributable cash include the following:

- Maintenance Capital Expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.
- Accruals for Mid-Term Incentives: Changes in accruals for mid-term incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.
- Amortization of Deferred Financing Costs is a deduction in calculating distributable cash based on the amount included in the operating activities section of the statement of cash flow (in the years following the financing

transaction) allocated over the term of the financing. The Fund believes this treatment provides a better indication of annual financing costs.

(4) See Distributions section.

(5) Payout Ratio is equal to cash distributions declared as a percentage of distributable cash.

For the quarter ended December 31, 2009 distributable cash was \$10.0 million, or \$0.60 per unit, compared to \$20.4 million, or \$1.23 per unit, the previous year. The decrease was due mostly to lower cash flows from operations before changes in non-cash working capital, offset partially by lower maintenance capital expenditures compared to last year. For the quarter ended December 31, 2009 monthly cash distributions declared were \$0.45 per unit (2008 - \$1.08 per unit).

For the twelve months ended December 31, 2009 distributable cash was \$42.3 million, or \$2.55 per unit, compared to \$77.0 million, or \$4.64 per unit, the previous year. The decrease was due mostly to lower cash flows from operations before changes in non-cash working capital, offset by lower maintenance capital expenditures compared to last year. For the twelve months ended December 31, 2009 monthly cash distributions declared were \$2.47 per unit (2008 - \$4.13 per unit). For 2009, \$2.16 per unit (2008 - \$4.13 per unit) of distributions will be treated as other income and \$0.31 per unit (2008 - \$nil) of distributions will be treated as a return of capital for Canadian income tax purposes. In 2008, a \$0.47 per unit special non-cash distribution was paid to ensure the Fund's total distributions for the year equaled its taxable income. Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2009 of \$1.3 million, or \$0.08 per unit, provides the Fund an amount for future capital requirements or distributions.

For the three months ended December 31, 2009, the payout ratio of cash distributions based on distributable cash was 75%, compared to 88% the previous year.

For the twelve months ended December 31, 2009, the payout ratio of cash distributions based on distributable cash was 97%, compared to 89% the previous year.

The following shows the relationship between distributions and cash flows from operating activities, net income and distributable cash:

(\$millions)	For the quarter ended December 31, 2009	For the year ended December 31, 2009	For the year ended December 31, 2008
<b>A.</b> Cash flows from operating activities	<b>\$41.1</b>	\$102.4	\$58.7
<b>B.</b> Net earnings	<b>8.3</b>	34.2	75.8
<b>C.</b> Distributable cash <sup>(1)</sup>	<b>10.0</b>	42.3	77.0
<b>D.</b> Cash distributions declared	<b>7.5</b>	41.0	68.5
<b>E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)</b>	<b>33.6</b>	61.4	(9.8)
<b>F. Excess (shortfall) of net earnings over cash distributions declared (B – D)</b>	<b>0.8</b>	(6.8)	7.3
<b>G. Excess of distributable cash over cash distributions declared (C – D)</b>	<b>2.5</b>	1.3	8.5

(1) Non-GAAP measure, see Non-GAAP Measures section

Significant variances between cash distributions declared by the Fund and cash flows from operating activities, net earnings and distributable cash include the following:

For the quarter ended December 31, 2009, the \$33.6 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of \$29.9 million, maintenance capital expenditures, net of disposals, of \$0.6 million, other entity specific adjustments totaling \$0.6 million and \$2.5 million available for future capital requirements or distributions.

For the twelve months ended December 31, 2009, the \$61.4 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of \$57.3 million, maintenance capital expenditures, net of disposals, of \$2.5 million, other entity specific adjustments totaling \$0.3 million and \$1.3 million available for future capital requirements or distributions. Cash distributions declared exceeded net earnings by \$6.8 million, due mainly to amortization deducted in calculating net earnings exceeding maintenance capital expenditures and other non-cash items deducted in calculating distributable cash by \$8.1 million, less the \$1.3 million excess of distributable cash over cash distributions declared. The \$1.3 million excess of distributable cash over cash distributions declared provided an amount for future working capital requirements or distributions.

For the year ended December 31, 2008, the \$9.8 million shortfall of cash flows from operating activities over cash distributions declared is due primarily to an increase in non-cash working capital of \$28.8 million and other entity specific adjustments totaling \$0.6 million, less maintenance capital expenditures, net of disposals, of \$11.1 million and \$8.5 million available for future capital requirements or distributions. The \$8.5 million excess of distributable cash over cash distributions, which included the \$7.3 million excess of net earnings over cash distributions declared, provided an amount for future capital requirements or distributions.

The following is a reconciliation of net earnings to distributable cash.

	For the quarter ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
<b>Net earnings</b>	<b>\$8.3</b>	\$19.4	<b>\$34.2</b>	\$75.8
Add (deduct)				
Amortization <sup>(1)</sup>	2.4	2.3	9.4	9.4
Maintenance capital expenditures <sup>(2) (3)</sup>	(0.6)	(2.0)	(2.5)	(11.1)
Non-cash items:				
- Pension expense, net of payment	(0.5)	-	(0.2)	0.2
- Non-cash rental expense	-	0.2	0.2	0.3
- Unit-based compensation expense	0.3	0.4	1.4	1.8
- Future income taxes	-	0.1	(0.2)	0.6
<b>Distributable cash<sup>(2)</sup> - \$</b>	<b>10.0</b>	20.4	<b>42.3</b>	77.0

(1) Includes amortization of rental equipment; property, plant and equipment; and intangible assets.

(2) Non-GAAP measure, see Non-GAAP Measures section

(3) Maintenance capital expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. Maintenance capital expenditures exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

## Standardized Distributable Cash<sup>(1)</sup> and Reconciliation to Distributable Cash<sup>(2)</sup>

The following is a calculation of standardized distributable cash calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. In addition, the table provides a reconciliation of standardized distributable cash to distributable cash (see Distributable Cash section).

	For the quarter ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
<b>Cash flows from operating activities</b>	<b>\$41.1</b>	<b>\$4.8</b>	<b>\$102.4</b>	<b>\$58.7</b>
A. Capital expenditure outlays <sup>(3)</sup> :	(3.6)	(3.4)	(9.9)	(15.8)
B. Restriction on distributions <sup>(4)</sup>	-	-	-	-
<b>Standardized Distributable Cash <sup>(1)(2)</sup> - \$</b>	<b>37.5</b>	<b>1.4</b>	<b>92.5</b>	<b>42.9</b>
- per unit basic	\$2.26	\$0.08	\$5.57	\$2.59
- per unit fully diluted	\$2.23	\$0.08	\$5.51	\$2.56
i. Capital adjustments made to reflect maintenance capital expenditures <sup>(5)</sup> :				
- Proceeds from disposals of capital expenditures	0.5	0.3	2.5	1.3
- Growth capital expenditures	2.0	0.7	3.4	1.5
- Rental fleet transferred to inventory	0.4	0.4	1.5	1.9
ii. Other entity specific adjustments <sup>(6)</sup> :				
- Changes in non-cash working capital <sup>(6a)</sup>	(29.9)	17.7	(57.3)	28.8
- Accrual for mid-term incentives <sup>(6b)</sup>	(0.5)	-	-	0.9
- Amortization of deferred financing charges <sup>(6c)</sup>	(0.1)	(0.1)	(0.3)	(0.3)
<b>Distributable Cash<sup>(2)</sup> - \$</b>	<b>10.0</b>	<b>20.4</b>	<b>42.3</b>	<b>77.0</b>
- per unit basic	\$0.60	\$1.23	\$2.55	\$4.64
- per unit fully diluted	\$0.59	\$1.22	\$2.52	\$4.60
<b>Distributions Declared - \$</b>				
- Cash	7.5	17.9	41.0	68.5
- Non-cash <sup>(7)</sup>	-	7.8	-	7.8
<b>Distributions Declared - per unit</b>				
- Cash	\$0.45	\$1.08	\$2.47	\$4.13
- Non-cash <sup>(7)</sup>	-	\$0.47	-	\$0.47
<b>Payout ratio<sup>(8)</sup></b>				
- based on standardized distributable cash	19.9%	1,312.2%	44.3%	159.6%
- based on distributable cash	75.0%	87.9%	96.9%	88.9%

(1) Standardized distributable cash is a non-GAAP measure calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.

(2) Non-GAAP measure, see Non-GAAP Measures section.

- (3) Capital expenditure outlays include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.
- (4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.
- (5) Capital adjustments are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.
- (6) Other Entity Specific Adjustments made in calculating distributable cash include the following:
  - a. Changes in Non-cash Working Capital see Distributable Cash section.
  - b. Accruals for Mid-Term Incentives see Distributable Cash section.
  - c. Amortization of Deferred Financing Costs see Distributable Cash section.
- (7) See Distributions section.
- (8) Payout ratio is equal to cash distributions declared as a percentage of distributable cash.

For the quarter ended December 31, 2009 standardized distributable cash was \$37.5 million, or \$2.26 per unit, compared to \$1.4 million, or \$0.08 per unit, the previous year. The \$36.1 million increase was due mainly to \$36.3 million increase in cash flows from operating activities.

For the twelve months ended December 31, 2009 standardized distributable cash was \$92.5 million, or \$5.57 per unit, compared to \$42.9 million, or \$2.59 per unit, the previous year. The \$49.6 million increase was due to \$43.7 million increase in cash flows from operating activities and lower capital expenditures of \$5.9 million. See the Liquidity and Capital Resources section.

Since the conversion of Wajax Limited to Wajax Income Fund on June 15, 2005, the payout ratio of cash distributions based on standardized distributable cash and distributable cash is 101.2% and 95.3%, respectively. The difference is due primarily to capital adjustments, changes in non-cash working capital and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

## **Productive Capacity and Productive Capacity Management**

Wajax is a distributor and service support provider. As such, the Fund's productive capacity is determined primarily by its branch infrastructure across Canada, manufacturer relationships and other maintenance and growth capital employed.

Wajax operates from 110 facilities throughout Canada, of which 82 are leased. Wajax's principal properties are primarily sales and service outlets. (At December 31, 2009, the non-discounted operating lease commitments for facilities totaled \$72.0 million.)

The Fund seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. The Fund endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, power systems, and hydraulics and process pumps businesses, manufacturer relationships are generally governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in the agreement.

Maintenance capital employed includes rental fleet in the Mobile Equipment segment, which will vary with market demand, and other capital which is employed primarily to support and maintain the branch network operations.

In addition, the Fund enters into off balance sheet financing arrangements including operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment, vehicles and other equipment. At December 31, 2009, the non-discounted operating lease commitments for rental fleet totaled \$11.5 million, vehicles \$0.1 million and other equipment \$1.5 million.

Growth capital expenditures include acquisitions and land and building additions that are not required to maintain normal operations.

For the nine year period from 2000 to 2009, average annual maintenance capital expenditures, net of proceeds from disposals, (including rental fleet but excluding discontinued operations and an ERP computer system abandoned in 2002) were \$8.8 million. The annual maintenance capital expenditures varied between \$2.8 million and \$13.0 million during the period. Management's expectation for future annual maintenance capital expenditures is between \$8 million and \$14 million.

## Financing Strategies

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing should be sufficient to meet the Fund's short-term normal course working capital, maintenance capital and growth capital requirements.

The Fund's short-term normal course working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2006 and 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels. This can result in standardized distributable cash increasing in years of declining activity and decreasing in years of growth. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities. Therefore, for the reasons noted the Fund adjusts for changes in non-cash working capital in calculating distributable cash in periods where the Fund has capacity under its credit facility to fund the changes in non-cash working capital.

In the long-term the Fund may also be required to access the equity or debt markets or reduce distributions in order to fund significant acquisitions and growth related working capital and capital expenditures.

Borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. At December 31, 2009 borrowing capacity under the bank credit facility was equal to \$172.8 million.

The bank credit facility contains covenants that could restrict the ability of the Fund to make cash distributions, if (i) an event of default exists or would exist as a result of a cash distribution, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate cash distributions by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Notwithstanding the restrictions relating to the leverage ratio, a special cash distribution in the first quarter of each fiscal year is permitted in an amount not to exceed the amount by which distributable cash for the preceding fiscal year exceeds declared cash distributions for the preceding fiscal year plus any excess cumulative distributable cash over cash distributions of prior years. In addition, borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. For further detail, the Fund's bank credit facility is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Unit Capital

The trust units of the Fund issued are included in unitholders' equity on the balance sheet as follows:

<b>Issued and fully paid Trust Units as at December 31, 2009</b>	<b>Number</b>	<b>Amount</b>
Balance at the beginning of quarter	16,603,423	\$105.3
Rights exercised	-	-
<b>Balance at end of quarter</b>	<b>16,603,423</b>	<b>\$105.3</b>

See the Conversion to corporate structure section.

The Fund has four unit-based compensation plans: the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units, while the MTIP consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. Compensation expense for the UOP, DUP and TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an



offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the three year vesting period with and offsetting adjustment to accrued liabilities. The Fund recorded compensation cost of \$324 thousand for the quarter (2008 - \$405 thousand) and \$1,416 thousand for the year to date (2008 - \$1,759 thousand) in respect of these plans.

## **Critical Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Fund has taken into account the current economic downturn when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. The Fund makes a provision for doubtful accounts when there is evidence that a specific account may become uncollectible. The Fund does not provide a general reserve for bad debts. As conditions change, actual results could differ from those estimates. Critical accounting estimates used by the Fund's management are discussed in detail in the MD&A for the year ended December 31, 2009 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Accounting Changes**

The following is a summary of the new standards which may impact the Fund:

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Fund's management has prepared a comprehensive IFRS conversion plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, disclosure controls and procedures, modification of existing systems, staff training as well as other related business matters. The project consists of four phases: awareness, assessment, design and implementation. During 2008 the awareness phase was substantially completed.

During 2009, the assessment phase was substantially completed by identifying major recognition, measurement and reporting differences and assessing impacts on business process and information systems. In addition, the design phase, which involves selection of accounting policies where choices exist and development of appropriate disclosures, was substantially completed. The Fund continues to monitor development of new standards within IFRS as they are released. To date, the Fund has not identified any significant changes that will be required to its information systems, internal controls over financial reporting or disclosure controls and procedures. The Fund has conducted general IFRS and specific issues training for its finance staff, board of trustees and audit committee and will conduct additional sessions as required.

Until more progress on the implementation phase has been made, the Fund will not be in a position to definitively quantify the impact of adopting IFRS on its financial statements. However, the areas identified with the most potential to have significant effects upon adoption of IFRS include leases, inventories, and employee benefits along with extensive additional required disclosures.

Under IFRS the classification of leases as operating or financing type leases is more qualitative and less prescriptive. As a result, on transition to IFRS certain leases which are currently classified as operating leases under Canadian GAAP could be classified as financing leases under IFRS. This would result in the recognition of fixed assets and associated lease obligation liabilities on the balance sheet. Thereafter the income statement would be affected by increased amortization and interest expense and decreased lease costs.

The IFRS standard for inventories requires that certain overheads be allocated to service provider inventory. On transition it is expected that this will increase inventory and retained earnings on the balance sheet as previously expensed overhead costs are allocated to inventory on hand. Thereafter it is expected that cost of sales will increase and selling, general and administration expenses will decrease.

Upon transition to IFRS, there is an option to recognize unamortized actuarial gains and losses on employee future benefits into equity. Making this election would result in an increased pension liability, decreased equity and a change to periodic pension expense. Following transition there are different accounting policy options for recognizing future actuarial gains and losses including recognizing these amounts directly in equity rather than through the income statement.

Once the design phase is completed, the Fund will implement the revised accounting policies based on the choices made and execute communications programs as required. Performance targets for years after 2010 for the Mid Term Incentive Plan will need to be recalibrated to reflect the impact of IFRS. While the Fund will not actually be reporting under IFRS until the first quarter of 2011, the goal is to prepare the opening IFRS balance sheet and restate the Canadian GAAP financial statements to IFRS for internal purposes, subject to evolving IFRS standards, beginning at the end of the first quarter of 2010.

## **Risks and Uncertainties**

As with most businesses, the Fund is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. The Fund attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2009 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). For the period January 1, 2010 to February 26, 2010 there have been no material changes to the business of the Fund that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2009.

## **Outlook**

In 2009 the Fund witnessed an unprecedented decline in market demand in most industry sectors served. On a consolidated basis, revenue was down in every sector except for government & utilities. The largest reductions were evident in the construction and conventional oil & gas sectors with the smallest decline in the oil sands. Management reacted to these rapidly deteriorating business conditions by reducing headcount by approximately 15% and aggressively cutting other overhead expenses. As well, capital spending was curtailed and non-cash working capital was lowered by more than \$57.0 million.

Looking forward to 2010, the Fund expects overall market demand for its products to improve modestly, weighted more heavily to the second half of the year. It is anticipated that the early part of 2010 will continue to be challenging compared to 2009 as revenue in that period benefited from a larger backlog position at the end of 2008. It is expected that activity in the oil sands and the government and utilities sectors will remain strong, with increased activity in mining and metal processing anticipated as demand for commodities continues to grow. While management believes the construction and conventional oil and gas sectors have attractive longer-term growth prospects, in 2010 they are expected to continue to be well off activity levels experienced in the strong markets of 2008.

Additional information, including the Fund's Annual Report and Annual Information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

# WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the three and twelve months ended December 31, 2009

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3(3) (a):

The attached consolidated financial statements have been prepared by Management of Wajax Income Fund and have not been reviewed by the Fund's auditors.

**WAJAX INCOME FUND**  
**CONSOLIDATED BALANCE SHEETS**

(unaudited, in thousands of dollars)	December 31 2009	December 31 2008
<b>ASSETS</b>		
Current		
Cash	\$ 9,207	\$ -
Accounts receivable	123,537	162,696
Inventories (note 3)	176,230	227,843
Income taxes receivable	190	-
Future income taxes	3,191	2,644
Prepaid expenses and other recoverable amounts	7,800	4,966
	<b>320,155</b>	<b>398,149</b>
Non-current		
Rental equipment	16,370	21,812
Property, plant and equipment	36,164	33,568
Goodwill	66,335	66,335
Intangible assets	7,170	7,889
Deferred pension asset	2,013	1,849
	<b>128,052</b>	<b>131,453</b>
	<b>\$ 448,207</b>	<b>\$ 529,602</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current		
Bank indebtedness	\$ -	\$ 4,320
Accounts payable and accrued liabilities	157,532	186,315
Distributions payable to unitholders	2,491	5,972
Income taxes payable	-	2,697
	<b>160,023</b>	<b>199,304</b>
Non-Current		
Future income taxes	1,883	1,486
Other liabilities	841	818
Long-term pension liability	2,995	3,371
Derivative instrument liability	2,643	2,770
Long-term debt	79,461	116,160
	<b>87,823</b>	<b>124,605</b>
Unitholders' equity		
Trust units (note 5)	105,307	104,871
Unit-based compensation (note 6)	5,645	4,666
Accumulated earnings	91,642	98,407
Accumulated other comprehensive loss (note 4)	(2,233)	(2,251)
	<b>89,409</b>	<b>96,156</b>
Total unitholders' equity	<b>200,361</b>	<b>205,693</b>
	<b>\$ 448,207</b>	<b>\$ 529,602</b>

**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**AND ACCUMULATED EARNINGS**

(unaudited, in thousands of dollars, except per unit data)	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Revenue	\$ 250,943	\$ 317,285	\$ 973,125	\$ 1,213,475
Cost of sales	194,098	241,161	739,577	928,674
Gross profit	56,845	76,124	233,548	284,801
Selling and administrative expenses	47,917	54,864	196,842	202,449
Earnings before interest and income taxes	8,928	21,260	36,706	82,352
Interest expense	1,004	1,371	4,461	4,746
Earnings before income taxes	7,924	19,889	32,245	77,606
Income tax (recovery) expense – current	(426)	488	(1,726)	1,158
- future	16	51	(258)	626
Net earnings	\$ 8,334	\$ 19,350	\$ 34,229	\$ 75,822
Basic earnings per unit (note 7)	\$ 0.50	\$ 1.17	\$ 2.06	\$ 4.57
Diluted earnings per unit (note 7)	0.50	1.15	2.04	4.53
Accumulated earnings, beginning of period	\$ 90,768	\$ 96,969	\$ 98,407	\$ 91,082
Distributions	(7,460)	(17,912)	(40,994)	(68,497)
Net earnings	8,334	19,350	34,229	75,822
Accumulated earnings, end of period	\$ 91,642	\$ 98,407	\$ 91,642	\$ 98,407

**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

(unaudited, in thousands of dollars)	Three months ended December 31		Twelve months ended December 31	
	<b>2009</b>	2008	<b>2009</b>	2008
Net earnings	\$ <b>8,334</b>	\$ 19,350	\$ <b>34,229</b>	\$ 75,822
Losses (gains) on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory in the current period, net of tax (note 4)	<b>368</b>	(2)	<b>(767)</b>	(234)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax (note 4)	<b>(74)</b>	(1,606)	<b>785</b>	(1,910)
Other comprehensive income (loss)	<b>294</b>	(1,608)	<b>18</b>	(2,144)
Comprehensive income	\$ <b>8,628</b>	\$ 17,742	\$ <b>34,247</b>	\$ 73,678

**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited, in thousands of dollars)	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 8,334	\$ 19,350	\$ 34,229	\$ 75,822
Items not affecting cash flows:				
Amortization				
- Rental equipment	1,035	1,297	4,290	5,002
- Property, plant and equipment	1,163	829	4,407	3,981
- Intangible assets	175	192	719	470
- Deferred financing costs	105	71	301	281
Pension expense, net of payments	(474)	25	(202)	172
Long-term portion of mid-term incentive plan expense	480	21	23	(898)
Non-cash rental expense	9	210	137	246
Unit-based compensation expense (note 6)	323	405	1,415	1,759
Future income taxes	16	51	(258)	626
<b>Cash flows from operating activities before changes in non-cash working capital</b>	<b>11,166</b>	<b>22,451</b>	<b>45,061</b>	<b>87,461</b>
<b>Changes in non-cash working capital</b>				
Accounts receivable	5,258	(6,603)	39,159	(10,406)
Inventories	29,076	(537)	53,126	(12,275)
Prepaid expenses and other recoverable amounts	(3,270)	233	(2,834)	(167)
Accounts payable and accrued liabilities	(748)	(11,228)	(29,259)	(7,179)
Income taxes payable	(382)	490	(2,887)	1,240
	29,934	(17,645)	57,305	(28,787)
<b>Cash flows from operating activities</b>	<b>41,100</b>	<b>4,806</b>	<b>102,366</b>	<b>58,674</b>
<b>INVESTING ACTIVITIES</b>				
Rental equipment additions	(794)	(1,497)	(2,742)	(8,183)
Proceeds on disposal of rental equipment	544	285	2,381	1,190
Property, plant and equipment additions	(2,776)	(1,944)	(7,119)	(7,581)
Proceeds on disposal of property, plant and equipment	-	62	116	147
Acquisition of business	-	-	-	(27,874)
Cash flows used in investing activities	(3,026)	(3,094)	(7,364)	(42,301)
<b>Cash flows before financing activities</b>	<b>38,074</b>	<b>1,712</b>	<b>95,002</b>	<b>16,373</b>
<b>FINANCING ACTIVITIES</b>				
(Decrease) increase in long-term bank debt	(21,000)	13,000	(37,000)	62,000
Decrease in equipment notes payable	-	-	-	(70)
Distributions paid	(7,460)	(17,912)	(44,475)	(75,793)
Cash flows used in financing activities	(28,460)	(4,912)	(81,475)	(13,863)
<b>Net change in cash and cash equivalents</b>	<b>9,614</b>	<b>(3,200)</b>	<b>13,527</b>	<b>2,510</b>
<b>Bank indebtedness - beginning of period</b>	<b>(407)</b>	<b>(1,120)</b>	<b>(4,320)</b>	<b>(6,830)</b>
<b>Cash (bank indebtedness) - end of period</b>	<b>\$ 9,207</b>	<b>\$ (4,320)</b>	<b>\$ 9,207</b>	<b>\$ (4,320)</b>

**Cash flows used in operating activities include the following:**

Interest paid	\$ 994	\$ 1,072	\$ 3,934	\$ 4,198
Income tax paid (recovered)	\$ (37)	\$ -	\$ 1,016	\$ (16)

**Significant non-cash transactions:**

Rental equipment transferred to inventory	\$ 441	\$ 381	\$ 1,513	\$ 1,879
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**WAJAX INCOME FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of dollars, except unit and per unit data)  
(unaudited)

**Note 1 Structure of the trust and basis of presentation**

Wajax Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose investment trust established under the laws of Ontario pursuant to the declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the audited annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of the Fund for the year ended December 31, 2008. The significant accounting policies follow those disclosed in the most recently reported annual financial statements.

Additional information, including the Fund's Annual Report and Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Note 2 New standards issued but not yet effective**

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund is currently in the process of evaluating the impact of the change to IFRS.

**Note 3 Inventories**

	Cost Formula	December 31 2009	December 31 2008
Equipment	Specific item	\$ 74,623	\$ 100,594
Parts	Weighted average	88,150	111,323
Work in process	Specific item	13,457	15,926
Total inventories		\$ 176,230	\$ 227,843

All amounts shown are net of applicable reserves.

The Fund recognized \$192,222 of inventory as an expense which is included in cost of sales during the quarter (2008 - \$235,167) and \$723,150 year to date (2008 - \$909,203). During the quarter \$874 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2008 - \$242). Year to date, the write-down of inventory was \$2,980 (2008 - \$2,956).

All of the Fund's inventory is pledged as security under the bank credit facility and other equipment financing facilities.



#### Note 4 Accumulated other comprehensive loss

During the quarter ending December 31, 2009, \$407 (\$368 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods (2008 – \$2 (\$2 net of tax)) were reclassified out of comprehensive income into cost of inventory, while the change in the fair value of the outstanding contracts at December 31, 2009 resulted in a loss of \$74 (\$74 – net of tax) being recorded in other comprehensive income (2008 - \$1,797 (\$1,606 – net of tax)).

Year to date, \$847 (\$767 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods (2008 - \$259 (\$234 – net of tax)) were reclassified out of comprehensive income into cost of inventory, while the change in the fair value of the outstanding contracts at December 31, 2009 resulted in a gain of \$972 (\$785 – net of tax) being recorded in other comprehensive income (2008 – loss of \$2,336 (\$1,910 – net of tax)).

As at December 31, 2009, the fair value of the swap agreement is estimated to be negative \$2,376 (2008 – negative \$3,830), and the currency forward contracts, negative \$267 (2008 – positive \$1,060).

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Balance beginning of period	\$ (2,527)	\$ (643)	\$ (2,251)	\$ (107)
Losses (gains) on derivatives designated as cash flow hedges in prior periods transferred to cost of inventory in the current period, net of tax of \$39 (2008 - \$nil), year to date, \$80 (2008 - \$25)	368	(2)	(767)	(234)
(Losses) gains on derivatives designated as cash flow hedges in the current period, net of tax of \$nil (2008 - \$191), year to date, \$189 (2008 - \$426)	(74)	(1,606)	785	(1,910)
Accumulated other comprehensive loss	\$ (2,233)	\$ (2,251)	\$ (2,233)	\$ (2,251)

#### Note 5 Trust units

At the end of the quarter the number of trust units outstanding was 16,603,423 (December 2008 – 16,585,206). There were 126,125 rights outstanding under the Wajax Unit Ownership Plan (“UOP”) (December 2008 – 109,559), 21,944 rights outstanding under the Deferred Unit Program (“DUP”) (December 2008 – 18,772) and 117,518 rights outstanding under the Trustees’ Deferred Unit Plan (“TDUP”) (December 2008 – 83,780). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

During the year 12,866 trust units were issued to satisfy conditions of the TDUP and 5,351 trust units were issued to satisfy conditions of the UOP, for no cash proceeds.

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Balance beginning of period	\$ 105,307	\$ 104,871	\$ 104,871	\$ 104,871
Unit rights plans exercised	-	-	436	-
Balance end of period	\$ 105,307	\$ 104,871	\$ 105,307	\$ 104,871

## Note 6 Unit-based compensation plans

The Fund has four unit-based compensation plans: the UOP, the DUP, the TDUP and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units. The UOP and DUP are subject to certain time and performance vesting criteria. The MTIP consists of an annual grant that is settled in cash, vests over three years and is based upon performance vesting criteria, a portion of which is determined by the price of Fund units. Compensation expense for the UOP, the DUP and the TDUP is determined based upon the fair value of the rights at the date of grant and charged to operations on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period.

During the quarter 6,633 rights (2008 – 16,024) were granted under the UOP, 497 rights (2008 – 1,018) were granted under the DUP and 9,219 rights (2008 – 12,350) were granted under the TDUP.

Year to date 21,917 rights (2008 – 26,330) were granted and 5,351 rights (2008 – nil) were exercised under the UOP, 3,222 rights (2008 – 18,722) were granted under the DUP and 46,604 rights (2008 – 30,712) were granted and 12,866 rights (2008 – nil) were exercised under the TDUP.

The Fund recorded compensation costs of \$323 for the quarter (2008 – \$405) and \$1,415 for the year to date (2008 - \$1,759) in respect of unit rights plans and \$567 for the quarter (2008 – recovery of \$5) and \$429 for the year to date (2008 – \$339) in respect of the unit based MTIP.

## Note 7 Earnings per unit

The following table sets forth the computation of basic and diluted earnings per unit:

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Numerator for basic and diluted earnings per unit:				
– net earnings	\$ 8,335	\$ 19,350	\$ 34,229	\$ 75,822
Denominator for basic earnings per unit:				
– weighted average units	16,603,423	16,585,206	16,596,853	16,585,206
Denominator for diluted earnings per unit:				
– weighted average units	16,603,423	16,585,206	16,596,853	16,585,206
– effect of dilutive unit rights	231,123	189,185	208,998	160,124
Denominator for diluted earnings per unit	16,834,546	16,774,391	16,805,852	16,745,330
Basic earnings per unit	\$ 0.50	\$ 1.17	\$ 2.06	\$ 4.57
Diluted earnings per unit	\$ 0.50	\$ 1.15	\$ 2.04	\$ 4.53

## Note 8 Financial instruments and capital management

There has been no significant change to the financial instruments and the related risks since December 31, 2008, except as follows with respect to liquidity risk.

During the first quarter of 2009, Wajax was notified that one of its inventory financing providers decided to exit the wholesale inventory financing business in Canada. The provision of inventory financing to Mobile Equipment was terminated effective December 31, 2009. The amount owing on the termination date of \$4.7 million, all of which was non-interest bearing inventory financing, is repayable in accordance with repayment schedules in effect at that time. Effective November 3, 2009, Wajax entered into an agreement with a new inventory finance company to provide up to \$30 million of inventory financing to Mobile Equipment.

## Note 9 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Net pension plan expense – defined benefit plans	\$ 190	\$ 193	\$ 936	\$ 796
Net pension plan expense – defined contribution plans	1,117	1,263	4,728	4,953
	\$ 1,307	\$ 1,456	\$ 5,664	\$ 5,749

## Note 10 Segmented information

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
<b>Revenue</b>				
Mobile Equipment	\$ 127,386	\$ 147,960	\$ 476,864	\$ 635,281
Industrial Components	67,110	89,205	279,620	322,778
Power Systems	57,348	80,842	220,086	258,431
Segment eliminations	(901)	(722)	(3,445)	(3,015)
	\$ 250,943	\$ 317,285	\$ 973,125	\$ 1,213,475
<b>Segment Earnings</b>				
Mobile Equipment	\$ 8,316	\$ 11,022	\$ 30,472	\$ 49,970
Industrial Components	1,003	4,955	4,721	20,219
Power Systems	1,403	7,326	8,805	21,723
Corporate costs and eliminations	(1,794)	(2,043)	(7,292)	(9,560)
	8,928	21,260	36,706	82,352
Interest expense	1,004	1,371	4,461	4,746
Income tax (recovery) expense	(410)	539	(1,984)	1,784
Net earnings	\$ 8,334	\$ 19,350	\$ 34,229	\$ 75,822

Interest expense, income taxes and corporate costs are not allocated to business segments.

## Note 11 Comparative information

Certain comparative numbers have been reclassified to conform with the current period presentation.