



**WAJAX INCOME FUND**  
**News Release**

**TSX Symbol: WJX.UN**

**WAJAX REPORTS THIRD QUARTER 2009 RESULTS**

(Dollars in millions, except per unit data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b><u>CONSOLIDATED RESULTS</u></b>				
Revenue	\$226.7	\$299.2	\$722.2	\$896.2
Net earnings	\$6.8	\$18.4	\$25.9	\$56.5
Basic earnings per unit	\$0.41	\$1.11	\$1.56	\$3.40
Distributable cash <sup>(1)</sup>	\$9.6	\$19.4	\$32.3	\$56.7
Basic distributable cash per unit <sup>(1)</sup>	\$0.58	\$1.17	\$1.95	\$3.42
<b><u>SEGMENTS</u></b>				
Revenue - Mobile Equipment	\$106.9	\$156.2	\$349.5	\$487.3
- Industrial Components	\$66.3	\$81.7	\$212.5	\$233.6
- Power Systems	\$54.6	\$61.9	\$162.7	\$177.6
Earnings - Mobile Equipment	\$5.9	\$12.6	\$22.2	\$38.9
% margin	5.5%	8.1%	6.4%	8.0%
- Industrial Components	\$2.0	\$5.4	\$3.7	\$15.3
% margin	3.0%	6.6%	1.7%	6.5%
- Power Systems	\$1.5	\$4.6	\$7.4	\$14.4
% margin	2.7%	7.4%	4.5%	8.1%

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

**Toronto, Ontario – November 4, 2009** – Wajax Income Fund today announced third quarter 2009 results.

**Third Quarter Highlights**

- Consolidated revenue declined 24% compared to last year. Mobile Equipment revenues decreased 32% on lower equipment volumes due to significantly reduced market demand in the forestry, construction and material handling sectors. Power Systems sales decreased 12% mainly as a result of lower equipment and parts and service sales to natural gas drilling and servicing customers in western Canada. Industrial Components segment revenue decreased 19% year-over-year, however, the decline was 25% after accounting for the revenue of the Peacock business acquired in the third quarter of last year. Softer market demand led to declines in all geographic segments and in most industry sectors.
- Consolidated net earnings in the quarter of \$6.8 million, or \$0.41 per unit declined from \$18.4 million, or \$1.11 per unit recorded last year. The decrease in earnings is attributable to the decline in revenues in all three businesses and reduced equipment and parts margins in the western Canada Power Systems business unit.

- Basic distributable cash (see Non-GAAP Measures section in the MD&A) of \$0.58 per unit was reduced from the \$1.17 per unit recorded the previous year as a result of the reduction in earnings, partially offset by reduced maintenance capital spending.

The Fund declared monthly distributions of \$0.15 (\$1.80 per unit annualized) for November and December.

Commenting on the third quarter results and the outlook for the year, Neil Manning, President and CEO, stated “The weak Canadian economy continued to negatively affect most of our end markets in the third quarter. In particular, reduced activity in manufacturing, forestry, construction and natural gas drilling and servicing significantly impacted sales in all three business segments. Mobile Equipment mining sector revenues continued to be relatively strong, primarily related to oil sands activity. Previously announced cost reductions were realized in the quarter, but were to some extent offset by reduced internal expense recoveries on lower volume, overhead costs assumed from the Peacock acquisition and increased severances.

We continued to make progress in reducing working capital and funded debt in the quarter. We generated \$8.4 million of cash from a reduction in non-cash working capital. As a result, funded debt net of cash decreased \$7.9 million in the quarter to \$100.8 million. All three businesses will continue to focus on reducing working capital.

While revenues remain significantly below last year, we believe market demand has stabilized. We anticipate activity in the oil sands will improve going into 2010 and we are encouraged by the prospects related to planned government stimulus spending. Overall, we believe the Fund is well positioned to take advantage of growth opportunities, particularly in the energy, mining and infrastructure sectors as the Canadian economy emerges from this downturn.”

The Board announced today that Neil Manning has agreed to extend the date of his previously announced retirement by one year to December 31, 2011. Paul Gagné, Chairman of the Board commented “The Fund has performed exceedingly well under Neil’s leadership. We are pleased he has agreed to stay on for this extended period.”

Wajax is a diversified income fund that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of over 110 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax will Webcast its Third Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Wednesday, November 4, 2009 at 2:30 p.m. ET. To access the Webcast, enter [www.wajax.com](http://www.wajax.com) and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

This news release contains forward-looking information. Please refer to the “Forward-Looking Statements” section in the accompanying Management Discussion and Analysis.

For further information, please contact:

Neil Manning, President and Chief Executive Officer  
Email: [nmanning@wajax.com](mailto:nmanning@wajax.com)

John Hamilton, Chief Financial Officer  
Email: [jhamilton@wajax.com](mailto:jhamilton@wajax.com)

Telephone #: (905) 212-3300

## **Management's Discussion and Analysis – Q3 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 September 30, 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 September 30, 2009, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2008 and the associated MD&A. Information contained in this MD&A is based on information available to management as of November 4, 2009.

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 is in the process of implementing a new computer system to manage its business. During the quarter another significant portion of the operations migrated to the new system, resulting in a material change in ICFR. The Fund intends to migrate the remainder of Kinecor's operations to the new computer system before the end of the year.

### **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.

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 over 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. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. A number of factors could cause 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, and the ability of the Fund to maintain and expand its customer base. Additional information on these and other factors is included in this MD&A and in the Fund's MD&A for the year ended December 31, 2008 under the heading "Risks and Uncertainties and in other reports filed by the Fund with Canadian securities regulators. Such factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. The forward-looking statements reflect management's expectations as of the date hereof and the Fund does not assume any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## Consolidated Results

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenue	\$226.7	\$299.2	\$722.2	\$896.2
Gross profit	\$53.9	\$69.3	\$176.7	\$208.7
Selling and administrative expenses	\$46.4	\$49.1	\$148.9	\$147.6
Earnings before interest and income taxes	\$7.5	\$20.2	\$27.8	\$61.1
Interest expense	\$1.1	\$1.2	\$3.5	\$3.4
Income tax (recovery) expense	(\$0.4)	\$0.6	(\$1.6)	\$1.2
<b>Net earnings</b>	<b>\$6.8</b>	\$18.4	<b>\$25.9</b>	\$56.5
<b>Distributable cash<sup>(1)</sup></b>	<b>\$9.6</b>	\$19.4	<b>\$32.3</b>	\$56.7
<b>Cash distributions declared</b>	<b>\$8.3</b>	\$17.4	<b>\$33.5</b>	\$50.6
<b>Distributions paid</b>				
- Monthly	\$9.1	\$17.1	\$37.1	\$50.1
- Special	-	-	-	\$7.8
<b>Earnings per unit</b>				
- Basic	\$0.41	\$1.11	\$1.56	\$3.40
- Diluted	\$0.40	\$1.10	\$1.54	\$3.37
<b>Distributable cash per unit<sup>(1)</sup></b>				
- Basic <sup>(2)</sup>	\$0.58	\$1.17	\$1.95	\$3.42
- Diluted	\$0.57	\$1.16	\$1.92	\$3.39
<b>Cash distributions declared per unit<sup>(2)</sup></b>	<b>\$0.50</b>	\$1.05	<b>\$2.02</b>	\$3.05
<b>Distributions paid per unit<sup>(2)</sup></b>				
- Monthly	\$0.55	\$1.03	\$2.23	\$3.02
- 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.

### Revenue

Revenue in the third quarter of 2009 decreased \$72.5 million to \$226.7 million, from \$299.2 million in 2008. Excluding Peacock, which was acquired September 5, 2008, revenue in the third quarter of 2009 decreased \$76.4 million compared to last year. Segment revenue decreased 32% in Mobile Equipment, 19% in Industrial Components and 12% in Power Systems compared to last year.

For the nine months ended September 30, 2009, revenue decreased \$174.0 million, or 19%, compared to last year. Excluding Peacock, revenue for the nine months ended September 30, 2009 decreased \$199.0 million compared to last year.

### Gross profit

Gross profit in the third quarter of 2009 decreased \$15.4 million due to the negative impact of lower revenues, offset partially by the positive impact of higher gross profit margins compared to last year. The gross profit margin percentage for the quarter increased to 23.8% in 2009 from 23.2% in 2008 due to a higher proportion of parts and service volumes compared to last year.

For the nine months ended September 30, 2009, gross profit decreased \$32.0 million compared to last year. The gross profit margin percentage increased to 24.5% in 2009 from 23.3% in 2008.

### **Selling and administrative expenses**

Selling and administrative expenses decreased \$2.7 million in the quarter compared to last year. Lower personnel costs and other sales related expense reductions were mostly offset by a decline in expense recoveries, \$2.1 million of Peacock selling and administrative expenses and \$0.5 million of severance costs. For the third quarter of 2008, selling and administrative expenses only included Peacock expenses for the period since its acquisition September 5, 2008 to September 30, 2008. Selling and administrative expenses as a percentage of revenue increased to 20.5% in 2009 from 16.4% in 2008.

For the nine months ended September 30, 2009, selling and administrative expenses increased \$1.3 million compared to last year. Peacock selling and administrative expenses of \$8.9 million, a decline in expense recoveries and higher severance and bad debt costs were offset mostly by reductions in personnel costs and other sales related expenses compared to last year. Selling and administrative expenses as a percentage of revenue increased to 20.6% in 2009 from 16.5% in 2008.

### **Interest expense**

Lower interest rates resulted in a \$0.1 million reduction in quarterly interest expense to \$1.1 million.

For the nine months ended September 30, 2009, interest expense increased \$0.1 million compared to 2008. The impact of higher funded debt net of cash ("funded net debt") outstanding in 2009 was mostly offset by positive impact of lower interest rates compared to last year.

### **Income tax expense**

The effective income tax rate of negative 6.5% for the quarter decreased from 2.9% the previous year due mainly to a recovery of current income taxes resulting from a tax loss in the Fund's subsidiary Wajax Limited compared to last year.

For the nine months ended September 30, 2009, the effective income tax rate of negative 6.5% decreased from 2.2% the previous year due primarily to a recovery of current income taxes resulting from a tax loss in the Fund's subsidiary Wajax Limited compared to last year.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 31.2% 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 September 30, 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. The Fund is currently evaluating the legislation which provides for alternative methods whereby an income fund can convert to a public corporation. The Fund's current expectation is that it will delay conversion to a corporate structure until January 1, 2011 so long as it continues to benefit from the efficient distribution of its taxable income to unitholders and continues to meet the limitations on growth in equity. After conversion it is anticipated that the Fund's dividends will be equal to its distributions prior to conversion, less incremental income taxes to be paid as a corporation. The Fund will continue to monitor its position on timing of conversion to a

corporation and its distribution policy taking into account any changes in tax rules governing income trusts and other capital market considerations.

### **Net earnings**

Quarterly net earnings of \$6.8 million, or \$0.41 per unit, decreased \$11.6 million from \$18.4 million, or \$1.11 per unit in 2008. The negative impact of lower volumes more than offset the positive impact of higher gross profit margins, lower selling and administrative expenses and income tax recoveries compared to last year.

For the nine months ended September 30, 2009, net earnings decreased \$30.6 million to \$25.9 million, or \$1.56 per unit, from \$56.5 million, or \$3.40 per unit, in 2008. The negative impact of lower volumes and higher selling and administrative expenses more than offset the positive impact of higher gross profit margins and income tax recoveries compared to last year.

### **Comprehensive income**

Comprehensive income for the quarter of \$6.7 million decreased \$11.5 million from \$18.2 million the previous year due to the \$11.7 million decrease in net earnings, partially offset by a \$0.2 million decrease in other comprehensive loss compared to last year. The decrease in other comprehensive loss resulted mainly from an increase in losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory.

For the nine months ended September 30, 2009, comprehensive income of \$25.6 million decreased \$30.3 million from \$55.9 million the previous year due to the \$30.6 million decrease in net earnings, offset in part by a \$0.3 million decrease in other comprehensive loss compared to last year. The decrease in other comprehensive loss resulted from an increase in gains on derivative contracts designated as cash flow hedges outstanding at the end of the quarter, 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 \$100.8 million decreased \$7.9 million compared to June 30, 2009. Third quarter cash flows from operating activities before changes in non-cash working capital of \$9.6 million and a decrease in non-cash working capital of \$8.4 million exceeded cash distributions of \$9.1 million and capital spending of \$0.9 million. Compared to September 30, 2008 funded net debt decreased \$3.4 million. The Fund's quarter-end debt-to-equity ratio of 0.51:1 at September 30, 2009 decreased from last quarter's ratio of 0.54:1 and remained the same as last year's ratio of 0.51:1.

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

For the quarter ended September 30, 2009 distributable cash was \$9.6 million, or \$0.58 per unit, compared to \$19.4 million, or \$1.17 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 September 30, 2009 monthly cash distributions declared were \$0.50 per unit (2008 - \$1.05 per unit).

For the nine months ended September 30, 2009 distributable cash was \$32.3 million, or \$1.95 per unit, compared to \$56.7 million, or \$3.42 per unit, the previous year. The decrease was due 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 nine months ended September 30, 2009 monthly cash distributions declared were \$2.02 per unit (2008 - \$3.05 per unit). Cash distributions declared in excess of distributable cash for the nine month ended September 30, 2009 of \$1.2 million, or \$0.07 per unit, were funded by the Fund's bank credit facility.

On November 4, 2009 the Fund announced monthly cash distributions of \$0.15 per unit (\$1.80 annualized) for the months of November and December payable on December 21, 2009 and January 20, 2010 to unitholders of record on November 30, 2009 and December 31, 2009 respectively.

## Quarterly Results of Operations

### Mobile Equipment

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Equipment	\$61.3	\$101.2	\$208.0	\$333.1
Parts and service	\$45.6	\$55.0	\$141.5	\$154.2
Gross revenue	\$106.9	\$156.2	\$349.5	\$487.3
Segment earnings	\$5.9	\$12.6	\$22.2	\$38.9
Segment earnings margin	5.5%	8.1%	6.4%	8.0%

Revenue in the third quarter of 2009 decreased \$49.3 million, or 32%, to \$106.9 million from \$156.2 million in the third quarter of 2008. Segment earnings for the quarter decreased \$6.7 million to \$5.9 million compared to the third quarter of 2008. The following factors contributed to the Mobile Equipment segment's third quarter results:

- Equipment revenue decreased \$39.9 million compared to last year as overall market demand for new equipment in the forestry and construction and material handling sectors declined between 35% and 50%. Specific quarter-over-quarter variances included the following:
  - Weaker market conditions led to a \$27.0 million reduction in forestry and construction equipment revenue compared to last year. New Hitachi excavator and JCB construction equipment sales declined in all regions.
  - Material handling equipment revenue decreased \$8.3 million due to lower new equipment sales and rental fleet utilization in all regions resulting from lower demand in all industrial markets.
  - Mining equipment revenue decreased \$3.6 million on fewer deliveries in western Canada.
  - Crane and utility equipment revenue decreased \$1.0 million due primarily to a decline in new equipment crane sales in western Canada, offset partially by improved sales to utility customers in eastern Canada.
- Parts and service volumes decreased \$9.4 million compared to last year from declines in the forestry and construction and material handling sectors across Canada and lower mining sector sales in western Canada.
- Earnings decreased \$6.7 million to \$5.9 million compared to last year as the negative impact of lower volumes outweighed the benefit of a \$0.8 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.

During the year management has taken considerable steps to reduce the segment's cost base in response to the significant drop off in market demand experienced since late 2008. The segment will continue to look for additional cost efficiencies and will maintain disciplined control over inventories and receivables.

## Industrial Components

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Gross revenue	<b>\$66.3</b>	\$81.7	<b>\$212.5</b>	\$233.6
Segment earnings	<b>\$2.0</b>	\$5.4	<b>\$3.7</b>	\$15.3
Segment earnings margin	<b>3.0%</b>	6.6%	<b>1.7%</b>	6.5%

Revenue in Industrial Components of \$66.3 million decreased \$15.4 million from \$81.7 million in the third quarter of 2008. Excluding Peacock which was acquired September 5, 2008, Industrial Components revenue declined \$19.3 million, or 25% compared to last year. Segment earnings decreased \$3.4 million to \$2.0 million in the quarter compared to the previous year. The following factors contributed to the segment's third quarter results:

- Bearings and power transmission parts sales decreased \$11.1 million compared to last year. Reduced sales to metal processing and forestry customers in eastern Canada and Ontario, decreased sales in the mining and industrial sectors across all regions and lower natural gas drilling activity in western Canada accounted for the decline.
- Fluid power and process equipment products and service revenues decreased \$4.3 million. Excluding Peacock, revenues declined \$8.2 million due mostly to reduced natural gas drilling activity in western Canada, lower mining sector volumes across all regions and decreased sales to industrial sector customers in Ontario and western Canada.
- Segment earnings decreased \$3.4 million compared to last year due. The negative impact of lower volumes outweighed the positive impact of slightly higher margins and a \$0.5 million decrease in selling and administrative expenses. Excluding Peacock, selling and administrative expenses decreased \$2.6 million as lower personnel expenses and other cost reductions were partially offset by higher severance costs and new branch overhead costs compared to last year.

During the quarter, the Ontario and western Canada operations were converted to the new computer system currently being implemented across the Industrial Components segment. This new system is expected to be fully implemented in all operations across Canada by the end of 2009 and will provide additional functionality and capacity to accommodate future growth.

During the year management has taken considerable steps to reduce the segment's cost base in response to the economic slowdown experienced since late 2008. They will continue to look for additional cost efficiencies, take steps to reduce inventory and maintain disciplined control over receivables.

## Power Systems

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Equipment	\$24.8	\$27.0	\$66.2	\$73.9
Parts and service	\$29.8	\$34.9	\$96.5	\$103.7
Gross revenue	\$54.6	\$61.9	\$162.7	\$177.6
Segment earnings	\$1.5	\$4.6	\$7.4	\$14.4
Segment earnings margin	2.7%	7.4%	4.5%	8.1%

Revenue in the third quarter decreased \$7.3 million to \$54.6 million compared to \$61.9 million in 2008. Segment earnings decreased \$3.1 million to \$1.5 million in the quarter compared to the previous year. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems (“Waterous”) in western Canada decreased \$9.7 million compared to last year. Equipment sales decreased \$4.8 million due mainly to a reduction in engine sales to oil and gas drilling customers. Parts and service revenue decreased \$4.9 million due primarily to lower sales to off-highway customers resulting from reduced natural gas drilling and service activity.
- Revenue at the eastern Canada operation, DDACE Power Systems (“DDACE”) increased \$2.4 million compared to 2008. Equipment sales increased \$2.6 million due principally to higher generator set deliveries. Parts and service revenue decreased \$0.2 million compared to last year.
- Segment earnings decreased \$3.1 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 the sale of low margin generator set packages and foreign exchange related parts margin reductions. Selling and administrative expenses decreased \$1.2 million due principally to reductions in personnel and other sales related expenses.

During the year management has taken steps to reduce the segment’s western Canada’s cost base in response to the economic slowdown experienced since late 2008. They will continue to look for additional cost efficiencies, take steps to reduce inventory and maintain disciplined control over receivables.

## Selected Quarterly Information

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	<b>\$226.7</b>	\$239.6	\$255.8	\$317.3	\$299.2	\$311.2	\$285.7	\$281.5
Net earnings	<b>\$6.8</b>	\$9.8	\$9.3	\$19.4	\$18.4	\$20.0	\$18.1	\$18.6
Net earnings per unit								
- Basic	<b>\$0.41</b>	\$0.59	\$0.56	\$1.17	\$1.11	\$1.20	\$1.09	\$1.12
- Diluted	<b>\$0.40</b>	\$0.59	\$0.55	\$1.15	\$1.10	\$1.19	\$1.08	\$1.11
Distributable cash <sup>(1)</sup>	<b>\$9.6</b>	\$11.3	\$11.4	\$20.4	\$19.4	\$18.8	\$18.4	\$19.1
Distributable cash per unit <sup>(1)</sup>								
- Basic	<b>\$0.58</b>	\$0.68	\$0.69	\$1.23	\$1.17	\$1.14	\$1.11	\$1.15

(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 \$17.1 million of cash before financing activities in the third quarter of 2009 compared to \$1.1 million in the third quarter of 2008. The \$16.0 million increase in cash flows generated before financing activities was due to lower investing activities offset partly by a decline in cash flows from operations before changes in non-cash working capital.

Cash flows from operating activities amounted to \$18.0 million in the third quarter of 2009, with \$9.6 million of cash generated from operating activities before changes in non-cash working capital and an \$8.4 million decrease in non-cash working capital. Changes in non-cash working capital include the following components:

(Decrease) Increase	Three months ended September 30	
	2009	2008
Accounts receivable	<b>(\$1.7)</b>	\$0.6
Inventories	<b>(\$12.2)</b>	(\$7.8)
Prepaid expenses and other recoverable amounts	<b>(\$0.3)</b>	(\$0.6)
Accounts payable and accrued liabilities	<b>\$5.8</b>	(\$0.3)
Income taxes payable	<b>\$0.1</b>	(\$0.5)
Decrease in non-cash working capital	<b>(\$8.4)</b>	(\$8.7)

Significant components of the changes in non-cash working capital for the quarter ended September 30, 2009 are as follows:

- Inventory decreased \$12.2 million due to general reductions in all segments resulting from the decline in sales activity.
- Accounts payable and accrued liabilities decreased \$5.8 million reflecting reduced inventory purchases.
- Accounts receivable decreased \$1.7 million due to lower third quarter sales activity.

During the quarter the Fund invested a net amount of \$0.9 million. This included \$1.1 million invested in various capital asset additions, net of disposals, and \$0.2 million generated from net disposals of the lift truck rental fleet.

Working capital from operations, exclusive of bank indebtedness and equipment notes payable, decreased \$7.5 million to \$179.4 million at September 30, 2009 from \$186.9 million at June 30, 2009. The decrease was due to the cash flow factors listed above.

Funded net debt of \$100.8 million decreased \$7.9 million compared to June 30, 2009. Third quarter cash flows from operating activities before changes in non-cash working capital of \$9.6 million and a decrease in non-cash working capital of \$8.4 million exceeded cash distributions of \$9.1 million and capital spending of \$0.9 million. Compared to September 30, 2008 funded net debt decreased \$3.4 million. The Fund's quarter-end debt-to-equity ratio of 0.51:1 at September 30, 2009 decreased from last quarter's ratio of 0.54:1 and remained the same as last year's ratio of 0.51:1.

At September 30, 2009 the Fund had borrowed \$101.0 million and issued \$4.7 million of letters of credit for a total utilization of \$105.7 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 September 30, 2009 borrowing capacity under the bank credit facility was equal to the \$175 million.

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing 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. It will terminate the provision of inventory financing to Mobile Equipment effective December 31, 2009, at which time amounts owing prior to the termination date will be repayable in accordance with repayment schedules in effect at that time. At September 30, 2009 Mobile Equipment had utilized \$7.4 million of non-interest bearing inventory floor plan financing which the Fund will have to replace. 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 plans' deficit at December 31, 2008 excluding the Supplemental Executive Retirement Plan, which is secured by a letter of credit, was \$2.0 million. The defined benefit plans are subject to actuarial valuations in 2009 and 2010. Actuarial valuations completed on two of the defined benefit plans in 2009 indicated a \$0.8 million increase in the total deficit to \$2.8 million. As a result, the Fund's annual cash contribution level has increased \$0.4 million to \$0.9 million. Management does not expect future cash contribution requirements to change materially from the revised annual contribution level of \$0.9 million as a result of the 2010 valuation and any further 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 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 September 30, 2009, the Fund had contracts outstanding to buy U.S.\$20.6 million (September 30, 2008 – to buy U.S.\$15.9 million and €0.2 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 October 2009 and July 2010, with a weighted average U.S. dollar rate of 1.0926.

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**

There have been no material changes to currency risk since December 31, 2008.

## **Contractual Obligations**

There have been no material changes to contractual obligations since December 31, 2008.

## **Off Balance Sheet Financing**

The Mobile Equipment segment had \$26.8 million of consigned inventory on-hand from a major manufacturer as at September 30, 2009 compared to \$72.6 million as at December 31, 2008. 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 with Wajax Finance (a "private label" financing operation of CIT Financial Ltd.) include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At September 30, 2009, the non-discounted operating lease commitment for the rental fleet was \$12.9 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 with Wajax Finance 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 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 Wajax Finance, a “private label” financing operation of CIT Financial Ltd. (Effective November 3, 2009 the Fund replaced the Wajax Finance inventory equipment line with a \$30 million line with another 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”.

“EBIT” is not a recognized measure under GAAP, and has been calculated as earnings before, interest and taxes and may differ from methods used by other entities.

## 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 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>
July 31, 2009	August 20, 2009	\$0.20	\$3.3
August 31, 2009	September 21, 2009	0.15	2.5
September 30, 2009	October 20, 2009	0.15	2.5
<b>Three months ended September 30, 2009</b>		<b>\$0.50</b>	<b>\$8.3</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 and the Fund's bank credit facility.

On August 5, 2009 the Fund announced a \$0.15 per unit monthly distribution for the month of October payable on November 20, 2009 to unitholders of record on October 30, 2009.

On November 4, 2009 the Fund announced monthly cash distributions of \$0.15 per unit (\$1.80 annualized) for the months of November and December payable on December 21, 2009 and January 20, 2010 to unitholders of record on November 30, 2009 and December 31, 2009 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 nine months ended		Last 12 months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>Cash flows from operating activities</b>	<b>\$18.0</b>	\$30.8	<b>\$61.3</b>	\$53.9	<b>\$66.1</b>	\$89.0
Changes in non-cash working capital <sup>(2)</sup>	<b>(8.4)</b>	(8.7)	<b>(27.4)</b>	11.1	<b>(9.7)</b>	(2.8)
<b>Cash flows from operating activities before changes in non-cash working capital</b>	<b>9.6</b>	22.1	<b>33.9</b>	65.0	<b>56.3</b>	86.2
Entity specific adjustments <sup>(3)</sup> :						
Maintenance capital expenditures <sup>(1)</sup> (3a)	<b>0.2</b>	(2.2)	<b>(1.8)</b>	(9.1)	<b>(3.8)</b>	(11.3)
Accrual for mid-term incentives <sup>(3b)</sup>	<b>(0.2)</b>	(0.4)	<b>0.5</b>	0.9	<b>0.4</b>	1.2
Amortization of deferred financing charges <sup>(3c)</sup>	<b>(0.1)</b>	(0.1)	<b>(0.2)</b>	(0.2)	<b>(0.3)</b>	(0.3)
<b>Distributable Cash<sup>(1)</sup> - \$</b>	<b>9.6</b>	19.4	<b>32.3</b>	56.7	<b>52.7</b>	75.7
<b>- per unit basic</b>	<b>\$0.58</b>	\$1.17	<b>\$1.95</b>	\$3.42	<b>\$3.18</b>	\$4.57
<b>- per unit fully diluted</b>	<b>\$0.57</b>	\$1.16	<b>\$1.92</b>	\$3.39	<b>\$3.14</b>	\$4.53
<b>Distributions Declared - \$</b>						
<b>- Cash</b>	<b>8.3</b>	17.4	<b>33.5</b>	50.6	<b>51.4</b>	74.7
<b>- Non-cash<sup>(4)</sup></b>	<b>-</b>	-	<b>-</b>	-	<b>7.8</b>	0.9
<b>Distributions Declared – per unit</b>						
<b>- Cash</b>	<b>\$0.50</b>	\$1.05	<b>\$2.02</b>	\$3.05	<b>\$3.10</b>	\$4.51
<b>- Non-cash<sup>(4)</sup></b>	<b>-</b>	-	<b>-</b>	-	<b>\$0.47</b>	\$0.05
<b>Payout Ratio<sup>(5)</sup></b>	<b>86.3%</b>	89.7%	<b>103.7%</b>	89.3%	<b>97.6%</b>	98.8%

(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 Wajax Finance, a "private label" financing operation of CIT Financial Ltd. (Effective November 3, 2009 the Fund replaced the Wajax Finance inventory equipment line with a \$30 million line with another 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:

- a. 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.
- b. 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.

- c. 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 September 30, 2009 distributable cash was \$9.6 million, or \$0.58 per unit, compared to \$19.4 million, or \$1.17 per unit, the previous year. Distributable cash decreased \$9.8 million due to the lower cash flows from operations before changes in non-cash working capital, offset by lower maintenance capital expenditures compared to last year. Monthly cash distributions declared for the quarter ended September 30, 2009 were \$0.50 per unit (2008 - \$1.05 per unit). Distributable cash in excess of cash distributions declared for the quarter ended September 30, 2009 was \$1.3 million, or \$0.08 per unit.

For the nine months ended September 30, 2009 distributable cash was \$32.3 million, or \$1.95 per unit, compared to \$56.7 million, or \$3.42 per unit, the previous year. The \$24.4 million decrease in distributable cash was due to a \$31.1 million decrease in cash flows from operations before changes in non-cash working capital, offset by lower maintenance capital expenditures compared to last year. For the same period, cash distributions declared were \$2.02 per unit (2008 - \$3.05 per unit). Distributions declared for the nine months ended September 30, 2009 of \$33.5 million exceeded distributable cash by \$1.2 million and was funded by the Fund's bank credit facility.

For the twelve months ended September 30, 2009 distributable cash was \$52.7 million, or \$3.18 per unit, compared to \$75.7 million, or \$4.57 per unit, the previous year. The \$23.0 million 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 same period, cash distributions declared were \$3.10 per unit (2008 - \$4.51 per unit and included a special cash distribution of \$0.47 per unit declared in December 2007). In addition, a special non-cash distribution was declared December 31, 2008 equal to \$0.47 per unit (2007 - \$0.05 per unit). Distributable cash in excess of cash distributions declared for the twelve months ended September 30, 2009 of \$1.3 million, or \$0.08 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the three months ended September 30, 2009, the payout ratio of cash distributions based on distributable cash was 86%, compared to 90% the previous year.

For the nine months ended September 30, 2009, the payout ratio of cash distributions based on distributable cash was 104%, compared to 89% the previous year.

For the twelve months ended September 30, 2009, the payout ratio of cash distributions based on distributable cash was 98%, compared to 99% (88% excluding the special cash distribution of \$0.47 per unit) the previous year.

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

(\$millions)	<b>For the quarter ended September 30, 2009</b>	For the nine months ended September 30, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007
<b>A.</b> Cash flows from operating activities	<b>\$18.0</b>	\$61.3	\$58.7	\$97.2
<b>B.</b> Net earnings	<b>6.8</b>	25.9	75.8	72.0
<b>C.</b> Distributable cash <sup>(1)</sup>	<b>9.6</b>	32.3	77.0	74.1
<b>D.</b> Cash distributions declared	<b>8.3</b>	33.5	68.5	72.3
<b>E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)</b>	<b>9.7</b>	27.8	(9.8)	24.9
<b>F. Excess (shortfall) of net earnings over cash distributions declared (B – D)</b>	<b>(1.5)</b>	(7.6)	7.3	(0.3)
<b>G. Excess (shortfall) of distributable cash over cash distributions declared (C – D)</b>	<b>1.3</b>	(1.2)	8.5	1.8

(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 September 30, 2009, the \$9.7 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of \$8.4 million and a \$1.3 million amount for future capital requirements or distributions.

For the nine months ended September 30, 2009, the \$27.8 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of \$27.4 million, maintenance capital expenditures, net of disposals, of \$1.8 million, less other entity specific adjustments totaling \$0.3 million and a \$1.2 million shortfall that was funded through the Fund's bank credit facility. Cash distributions declared exceeded net earnings by \$7.6 million due mainly to amortization, deducted in calculating net earnings, exceeding maintenance capital and other non-cash items, deducted in calculating distributable cash, by \$6.4 million and the \$1.3 million excess of cash distributions declared over distributable cash.

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 a \$8.5 million reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions. The \$7.3 million excess of net earnings over cash distributions declared provided an amount for future capital requirements or distributions. The \$8.5 million excess of distributable cash over cash distributions declared provided the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the year ended December 31, 2007, the \$24.9 million excess of cash flows from operating activities over cash distributions declared is due primarily to a reduction in non-cash working capital of \$12.2 million, maintenance capital expenditures net of disposals of \$11.4 million and other entity specific adjustments

totaling \$2.0 million, less the \$2.4 million gain on sale of land, plus a \$1.8 million amount for future capital requirements or distributions.

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

	For the quarter Ended		For the nine months ended		Last 12 months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>Net earnings</b>	<b>\$6.8</b>	\$18.4	<b>\$25.9</b>	\$56.5	<b>\$45.2</b>	\$75.1
Add (deduct)						
Amortization <sup>(1)</sup>	<b>2.3</b>	2.6	<b>7.0</b>	7.1	<b>9.4</b>	9.6
Maintenance capital expenditures <sup>(2) (3)</sup>	<b>0.2</b>	(2.2)	<b>(1.8)</b>	(9.1)	<b>(3.8)</b>	(11.3)
Non-cash items:						
- Pension expense, net of payment	<b>0.1</b>	0.1	<b>0.3</b>	0.1	<b>0.3</b>	(0.2)
- Non-cash rental expense	<b>0.1</b>	-	<b>0.1</b>	-	<b>0.3</b>	-
- Unit-based compensation expense	<b>0.3</b>	0.3	<b>1.1</b>	1.4	<b>1.5</b>	1.7
- Future income taxes	<b>(0.1)</b>	0.2	<b>(0.3)</b>	0.6	<b>(0.2)</b>	0.8
<b>Distributable cash<sup>(1)</sup> - \$</b>	<b>9.6</b>	19.4	<b>32.3</b>	56.7	<b>52.7</b>	75.7

(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 acquisition 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 nine months ended		Last 12 months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>Cash flows from operating activities</b>	<b>\$18.0</b>	\$30.8	<b>\$61.3</b>	\$53.9	<b>\$66.1</b>	\$89.0
A. Capital expenditure outlays <sup>(3)</sup> :	(1.6)	(4.4)	(6.3)	(12.3)	(9.7)	(15.0)
B. Restriction on distributions <sup>(4)</sup>	-	-	-	-	-	-
<b>Standardized Distributable</b>						
<b>Cash<sup>(1)(2)</sup> - \$</b>	<b>16.5</b>	26.4	<b>55.0</b>	41.6	<b>56.3</b>	73.9
- per unit basic	\$0.99	\$1.59	\$3.31	\$2.51	\$3.39	\$4.46
- per unit fully diluted	\$0.98	\$1.57	\$3.27	\$2.48	\$3.35	\$4.42
i. Capital adjustments made to reflect maintenance capital expenditures <sup>(5)</sup> :						
- Proceeds from disposals of capital expenditures	0.6	0.5	2.0	1.0	2.3	1.3
- Growth capital expenditures	0.8	0.6	1.4	0.8	2.2	0.8
- Rental fleet transferred to inventory	0.4	1.2	1.1	1.5	1.5	1.7
ii. Other entity specific adjustments <sup>(6)</sup> :						
- Changes in non-cash working capital <sup>(6a)</sup>	(8.4)	(8.7)	(27.4)	11.0	(9.7)	(2.8)
- Accrual for mid-term incentives <sup>(6b)</sup>	(0.2)	(0.4)	0.5	0.9	0.4	1.2
- Amortization of deferred financing charges <sup>(6c)</sup>	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
<b>Distributable Cash<sup>(2)</sup> - \$</b>	<b>9.6</b>	19.4	<b>32.3</b>	56.7	<b>52.7</b>	75.7
- per unit basic	\$0.58	\$1.17	\$1.95	\$3.42	\$3.18	\$4.57
- per unit fully diluted	\$0.57	\$1.16	\$1.92	\$3.39	\$3.14	\$4.53
<b>Distributions Declared - \$</b>						
- Cash	8.3	17.4	33.5	50.6	51.4	74.7
- Non-cash <sup>(7)</sup>	-	-	-	-	7.8	0.9
<b>Distributions Declared - per unit</b>						
- Cash	\$0.50	\$1.05	\$2.05	\$3.05	\$3.10	\$4.51
- Non-cash <sup>(7)</sup>	-	-	-	-	\$0.47	\$0.05
<b>Payout ratio<sup>(8)</sup></b>						
- based on standardized distributable cash	50.4%	66.1%	48.3%	121.8%	78.9%	101.2%
- based on distributable cash	86.3%	89.7%	103.7%	89.3%	97.6%	98.8%

(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 September 30, 2009 standardized distributable cash was \$16.5 million, or \$0.99 per unit, compared to \$26.4 million, or \$1.59 per unit, the previous year. The \$9.9 million decrease was due to \$12.8 million decrease in cash flows from operating activities, offset partially by lower capital expenditures of \$2.8 million.

For the nine months ended September 30, 2009 standardized distributable cash was \$55.0 million, or \$3.31 per unit, compared to \$41.5 million, or \$2.51 per unit, the previous year. The \$13.5 million increase was due to \$7.4 million increase in cash flows from operating activities and lower capital expenditures of \$6.1 million.

For the twelve months ended September 30, 2009 standardized distributable cash was \$56.3 million, or \$3.39 per unit, compared to \$73.9 million, or \$4.46 per unit, the previous year. The \$17.6 million reduction was due to \$22.9 million decrease in cash flows from operating activities, offset in part by lower capital expenditures of \$5.3 million.

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 113.6% and 96.0%, respectively. The difference is due primarily to changes in non-cash working capital of \$24.0 million, capital adjustments 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**

There have been no material changes to the Fund's productive capacity and productive capacity management since December 31, 2008.

## **Financing Strategies**

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing facility 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 September 30, 2009 borrowing capacity under the bank credit facility was equal to the \$175.0 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 September 30, 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>

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 an offsetting adjustment to accrued liabilities. The Fund recorded compensation cost of \$343 thousand for the quarter (2008 - \$330 thousand) and \$1,093 thousand for the year to date (2008 - \$1,354 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 revenues 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 in 2009, 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, 2008 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Accounting Changes**

The following is a summary of new standards not yet adopted which will 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. Due to anticipated changes in Canadian GAAP and IFRS prior to the Fund's transition to IFRS, the full impact of adopting IFRS on the Fund's future financial position and results of operations cannot be determined at this time.

We have prepared a comprehensive IFRS conversion plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, modification of existing systems, staff training as well as other related business matters. Our project consists of four phases: awareness, assessment, design and implementation. During 2008 we substantially completed the awareness phase. During the first half of 2009, we substantially completed the assessment phase by identifying major recognition, measurement and reporting differences and assessing impacts on business process and information systems. In the third quarter of 2009 we continued with the design phase which involves selection of accounting policies where choices exist and development of appropriate disclosures. We are continuing to monitor development of new standards within IFRS as they are released. The Fund is not currently 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.

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, we will implement the revised accounting policies based on the choices made, change business processes and information systems and execute training and communications programs. While we will not actually be reporting under IFRS until the first quarter of 2011, our 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, 2008 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). For the period January 1, 2009 to November 4, 2009 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, 2008.

## Outlook

The weak Canadian economy continued to negatively affect most of the Fund's end markets in the third quarter. In particular, reduced activity in manufacturing, forestry, construction and natural gas drilling and servicing significantly impacted sales in all three business segments. Mobile Equipment mining sector revenues continued to be relatively strong, primarily related to oil sands activity. Previously announced cost reductions were realized in the quarter, but were to some extent offset by reduced internal expense recoveries on lower volume, overhead costs assumed from the Peacock acquisition and increased severances.

The Fund continued to make progress in reducing working capital and funded debt in the quarter. The Fund generated \$8.4 million of cash from a reduction in non-cash working capital. As a result, funded debt net of cash decreased \$7.9 million in the quarter to \$100.8 million. Management in all three businesses will continue to focus on reducing working capital.

While revenues remain significantly below last year, management believes market demand has stabilized. Management anticipates activity in the oil sands will improve going into 2010 and is encouraged by the prospects related to planned government stimulus spending. Overall, management believes the Fund is well positioned to take advantage of growth opportunities, particularly in the energy, mining and infrastructure sectors as the Canadian economy emerges from this downturn.

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 nine months ended September 30, 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)	September 30 2009	December 31 2008	September 30 2008
<b>Current Assets</b>			
Accounts receivable	\$ 128,796	\$ 162,696	\$ 156,093
Inventories (note 3)	203,993	226,971	226,934
Future income taxes	3,125	2,644	1,177
Prepaid expenses and other recoverable amounts	4,529	4,966	5,199
	<b>340,443</b>	<b>397,277</b>	<b>389,403</b>
<b>Non-Current Assets</b>			
Rental equipment	17,596	21,812	22,279
Property, plant and equipment	34,551	33,568	32,506
Goodwill and other assets	75,785	76,073	76,112
	<b>127,932</b>	<b>131,453</b>	<b>130,897</b>
	<b>\$ 468,375</b>	<b>\$ 528,730</b>	<b>\$ 520,300</b>
<b>Current Liabilities</b>			
Bank indebtedness	\$ 407	\$ 4,320	\$ 1,120
Accounts payable and accrued liabilities	158,394	185,443	197,379
Distributions payable to unitholders	2,491	5,972	5,972
Income taxes payable	193	2,697	2,207
	<b>161,484</b>	<b>198,432</b>	<b>206,678</b>
<b>Non-Current Liabilities</b>			
Future income taxes	1,762	1,486	160
Other liabilities	361	818	797
Long-term pension liability	2,529	3,371	3,147
Derivative instrument liability	2,976	2,770	971
Long-term debt	100,393	116,160	103,089
	<b>108,021</b>	<b>124,605</b>	<b>108,164</b>
<b>Unitholders' Equity</b>			
Trust units (note 5)	105,307	104,871	104,871
Unit-based compensation (note 6)	5,322	4,666	4,261
Accumulated earnings	90,768	98,407	96,969
Accumulated other comprehensive loss (note 4)	(2,527)	(2,251)	(643)
	<b>88,241</b>	<b>96,156</b>	<b>96,326</b>
Total unitholders' equity	<b>198,870</b>	<b>205,693</b>	<b>205,458</b>
	<b>\$ 468,375</b>	<b>\$ 528,730</b>	<b>\$ 520,300</b>

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

(unaudited, in thousands of dollars, except per unit data)	Three months ended September 30		Nine months ended September 30	
	<b>2009</b>	2008	<b>2009</b>	2008
Revenue	\$ <b>226,716</b>	\$ 299,247	\$ <b>722,183</b>	\$ 896,190
Cost of sales	<b>172,801</b>	229,904	<b>545,479</b>	687,513
Gross profit	<b>53,915</b>	69,343	<b>176,704</b>	208,677
Selling and administrative expenses	<b>46,457</b>	49,137	<b>148,927</b>	147,585
Earnings before interest and income taxes	<b>7,458</b>	20,206	<b>27,777</b>	61,092
Interest expense	<b>1,118</b>	1,211	<b>3,457</b>	3,375
Earnings before income taxes	<b>6,340</b>	18,995	<b>24,320</b>	57,717
Income tax (recovery) expense - current	<b>(274)</b>	388	<b>(1,299)</b>	670
- future	<b>(140)</b>	164	<b>(275)</b>	575
Net earnings	\$ <b>6,754</b>	\$ 18,443	\$ <b>25,894</b>	\$ 56,472
Basic earnings per unit (note 7)	\$ <b>0.41</b>	\$ 1.11	\$ <b>1.56</b>	\$ 3.40
Diluted earnings per unit (note 7)	<b>0.40</b>	1.10	<b>1.54</b>	3.37
Accumulated earnings, beginning of period	\$ <b>92,315</b>	95,940	\$ <b>98,407</b>	91,082
Distributions	<b>(8,301)</b>	(17,414)	<b>(33,533)</b>	(50,585)
Net earnings	<b>6,754</b>	18,443	<b>25,894</b>	56,472
Accumulated earnings, end of period	\$ <b>90,768</b>	\$ 96,969	\$ <b>90,768</b>	\$ 96,969

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

(unaudited, in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	<b>2009</b>	2008	<b>2009</b>	2008
Net earnings	\$ <b>6,754</b>	\$ 18,443	\$ <b>25,894</b>	\$ 56,472
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>170</b>	(99)	<b>(1,135)</b>	(232)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax (note 4)	<b>(179)</b>	(98)	<b>859</b>	(304)
Other comprehensive loss	<b>(9)</b>	(197)	<b>(276)</b>	(536)
Comprehensive income	\$ <b>6,745</b>	\$ 18,246	\$ <b>25,618</b>	\$ 55,936

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

(unaudited, in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 6,754	\$ 18,443	\$ 25,894	\$ 56,472
Items not affecting cash flows:				
Amortization				
- Rental equipment	1,051	1,284	3,255	3,705
- Property, plant and equipment	1,117	1,182	3,244	3,152
- Intangible assets	176	103	544	277
- Deferred financing costs	68	70	196	210
Pension expense, net of payments	56	59	272	147
Long-term portion of mid-term incentive plan expense	165	421	(457)	(919)
Non-cash rental expense	57	12	127	36
Unit-based compensation expense (note 6)	343	330	1,093	1,354
Future income taxes	(140)	164	(275)	575
<b>Cash flows from operating activities before changes in non-cash working capital</b>	<b>9,647</b>	<b>22,068</b>	<b>33,893</b>	<b>65,009</b>
<b>Changes in non-cash working capital</b>				
Accounts receivable	1,741	(578)	33,900	(3,804)
Inventories	12,239	7,843	24,050	(11,738)
Prepaid expenses and other recoverable amounts	314	577	437	(400)
Accounts payable and accrued liabilities	(5,821)	329	(28,510)	4,051
Income taxes payable	(72)	530	(2,504)	751
	<b>8,401</b>	<b>8,701</b>	<b>27,373</b>	<b>(11,140)</b>
<b>Cash flows from operating activities</b>	<b>18,048</b>	<b>30,769</b>	<b>61,266</b>	<b>53,869</b>
<b>INVESTING ACTIVITIES</b>				
Rental equipment additions	(441)	(2,514)	(1,948)	(6,686)
Proceeds on disposal of rental equipment	621	444	1,837	905
Property, plant and equipment additions	(1,133)	(1,894)	(4,343)	(5,638)
Proceeds on disposal of property, plant and equipment	6	43	116	84
Acquisition of business	-	(25,728)	-	(27,874)
Cash flows used in investing activities	(947)	(29,649)	(4,338)	(39,209)
<b>Cash flows before financing activities</b>	<b>17,101</b>	<b>1,120</b>	<b>56,928</b>	<b>14,660</b>
<b>FINANCING ACTIVITIES</b>				
(Decrease) increase in long-term bank debt	4,000	16,000	(16,000)	49,000
Decrease in equipment notes payable	(8,896)	-	-	(70)
Distributions paid	(9,131)	(17,082)	(37,015)	(57,880)
Cash flows used in financing activities	(14,027)	(1,082)	(53,015)	(8,950)
<b>Net change in cash and cash equivalents</b>	<b>3,074</b>	<b>38</b>	<b>3,913</b>	<b>5,710</b>
<b>Bank indebtedness - beginning of period</b>	<b>(3,481)</b>	<b>(1,158)</b>	<b>(4,320)</b>	<b>(6,830)</b>
<b>Bank indebtedness - end of period</b>	<b>\$ (407)</b>	<b>\$ (1,120)</b>	<b>\$ (407)</b>	<b>\$ (1,120)</b>

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

Interest paid	\$ 944	\$ 1,204	\$ 2,940	\$ 3,125
Income tax paid (recovered)	\$ (206)	\$ (142)	\$ 1,053	\$ (16)

**Significant non-cash transactions:**

Rental equipment transferred to inventory	\$ 395	\$ 1,201	\$ 1,072	\$ 1,498
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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	September 30 2009	December 31 2008	September 30 2008
Equipment	Specific item	\$ 97,889	\$ 99,722	\$ 101,862
Parts	Weighted average	92,005	111,323	103,050
Work in process	Specific item	14,099	15,926	22,022
<b>Total inventories</b>		<b>\$ 203,993</b>	<b>\$ 226,971</b>	<b>\$ 226,934</b>

All amounts shown are net of applicable reserves.

The Fund recognized \$167,452 of inventory as an expense which is included in cost of sales during the quarter (2008 - \$223,706) and \$530,928 year to date (2008 - \$671,036). During the quarter \$851 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2008 - \$915). Year to date, the write-down of inventory was \$2,106 (2008 - \$1,798).

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 September 30, 2009, \$188 (\$170 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods (2008 – gains of \$109 (\$99 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 September 30, 2009 resulted in a loss of \$175 (\$179 – net of tax) being recorded in other comprehensive income (2008 - \$197 (\$98 – net of tax)). There was an ineffective portion of the outstanding contracts recognized in earnings of \$(255) (2008 – nil).

Year to date, \$1,254 (\$1,135 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods (2008 - \$257 (\$232 – 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 September 30, 2009 resulted in a gain of \$1,048 (\$859 – net of tax) being recorded in other comprehensive income (2008 – loss of \$539 (\$304 – net of tax)). There was an ineffective portion of the outstanding contracts recognized in earnings of \$35 (2008 – nil).

As at September 30, 2009, the differential the Fund would pay to hypothetically terminate or exchange the interest rate swap agreement in the prevailing market conditions is estimated to be \$2,488 (December 2008 - \$3,830, September 2008 – \$1,178), and the currency forward contracts, \$488 (December 2008 – receive \$1,060 September 2008 – receive \$207).

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Balance beginning of period	\$ (2,518)	\$ (446)	\$ (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 \$18 (2008 - \$10), year to date, \$119 (2008 - \$25)	170	(99)	(1,135)	(232)
(Losses) gains on derivatives designated as cash flow hedges in the current period, net of tax of \$(4) (2008 - \$99), year to date, \$189 (2008 - \$235)	(179)	(98)	859	(304)
Accumulated other comprehensive loss	\$ (2,527)	\$ (643)	\$ (2,527)	\$ (643)

## 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, September 2008 – 16,585,206). There were 119,492 rights outstanding under the Wajax Unit Ownership Plan (“UOP”) (December 2008 – 109,559, September 2008 – 93,535), 21,447 rights outstanding under the Deferred Unit Program (“DUP”) (December 2008 – 18,772, September 2008 – 17,704) and 108,229 rights outstanding under the Trustees’ Deferred Unit Plan (“TDUP”) (December 2008 – 83,780, September 2008 – 71,430). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

During the second quarter, 12,866 trust units were issued to satisfy conditions of the TDUP for no cash proceeds. In the first quarter, 5,351 trust units have been issued to satisfy conditions of the UOP for no cash proceeds.

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Balance beginning of period	\$ 105,307	\$ 104,871	\$ 104,871	\$ 104,871
Trust units issued	-	-	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 3,780 rights (2008 – 3,034) were granted under the UOP, 678 rights (2008 – 17,704) were granted under the DUP and 10,659 rights (2008 – 7,051) were granted under the TDUP.

Year to date 15,284 rights (2008 – 7,272) were granted and 5,351 rights (2008 – nil) were exercised under the UOP, 2,725 rights (2008 – 17,704) were granted under the DUP and 37,385 rights (2008 – 13,023) were granted and 12,866 rights (2008 – nil) were exercised under the TDUP.

The Fund recorded compensation costs of \$343 for the quarter (2008 – \$330) and \$1,093 for the year to date (2008 - \$1,354) in respect of unit rights plans and \$127 for the quarter (2008 – \$735) and a recovery of \$138 for the year to date (2008 – cost of \$1,709) 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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Numerator for basic and diluted earnings per unit:				
– net earnings	\$ 6,754	\$ 18,443	\$ 25,894	\$ 56,472
Denominator for basic earnings per unit:				
– weighted average units	16,603,423	16,585,206	16,594,638	16,585,206
Denominator for diluted earnings per unit:				
– weighted average units	16,603,423	16,585,206	16,594,638	16,585,206
– effect of dilutive unit rights	203,377	161,376	195,779	150,391
Denominator for diluted earnings per unit	16,806,800	16,746,582	16,790,417	16,735,597
Basic earnings per unit	\$ 0.41	\$ 1.11	\$ 1.56	\$ 3.40
Diluted earnings per unit	\$ 0.40	\$ 1.10	\$ 1.54	\$ 3.37

## 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.

In the first quarter the Fund was notified that one of its inventory financing providers decided to exit the wholesale inventory financing business in Canada. They will terminate the provision of inventory financing to Mobile Equipment effective December 31, 2009, at which time amounts owing prior to the termination date will be repayable in accordance with repayment schedules in effect at that time. At September 30, 2009 Mobile Equipment had utilized \$7.4 million of non-interest bearing floor plan inventory financing which the Fund will have to replace. See Note 11 Subsequent event.

## Note 9 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Net pension plan expense – defined benefit plans	\$ 264	\$ 201	\$ 746	\$ 603
Net pension plan expense – defined contribution plans	1,138	1,228	3,611	3,690
	\$ 1,447	\$ 1,429	\$ 2,955	\$ 4,293

**Note 10 Segmented information**

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
<b>Revenue</b>				
Mobile Equipment	\$ 106,853	\$ 156,204	\$ 349,478	\$ 487,321
Industrial Components	66,264	81,742	212,510	233,572
Power Systems	54,569	61,904	162,740	177,589
Segment eliminations	(971)	(603)	(2,545)	(2,292)
	<b>\$ 226,716</b>	<b>\$ 299,247</b>	<b>\$ 722,183</b>	<b>\$ 896,190</b>
<b>Segment Earnings</b>				
Mobile Equipment	\$ 5,850	\$ 12,580	\$ 22,156	\$ 38,947
Industrial Components	1,956	5,399	3,719	15,264
Power Systems	1,511	4,572	7,402	14,396
Corporate costs and eliminations	(1,859)	(2,345)	(5,500)	(7,515)
	<b>7,458</b>	<b>20,206</b>	<b>27,777</b>	<b>61,092</b>
Interest expense	1,118	1,211	3,457	3,375
Income tax (recovery) expense	(414)	552	(1,574)	1,245
Net earnings	<b>\$ 6,754</b>	<b>\$ 18,443</b>	<b>\$ 25,894</b>	<b>\$ 56,472</b>

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

**Note 11 Subsequent event**

Effective November 3, 2009, the Fund entered into an agreement with a new inventory finance company to provide inventory financing to its Mobile Equipment segment.

**Note 12 Comparative information**

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