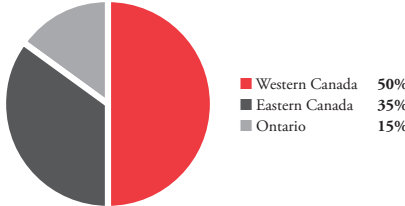
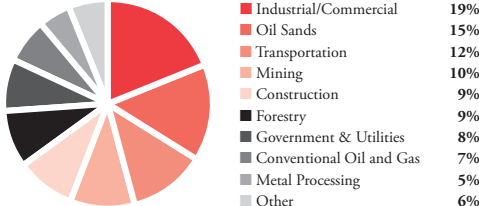
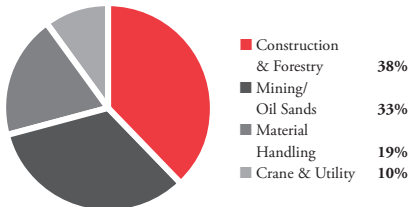
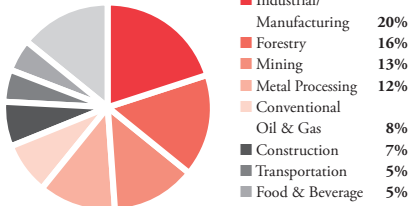
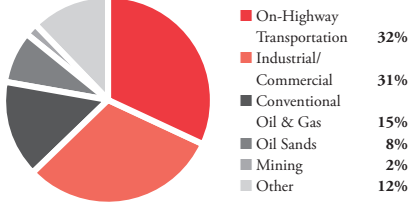


Wajax Income Fund

Annual Report 2009



Wajax at a Glance

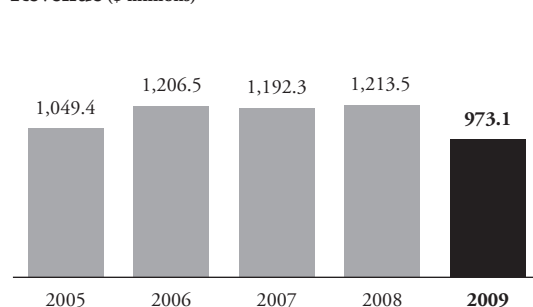
Fund Overview	2009 Sales by Region	2009 Sales by Market																										
<ul style="list-style-type: none"> Wajax has three distinct divisions, which operate through a network of 110 branches across Canada. The Fund is a multi-line distributor and each of its divisions represents a number of leading worldwide manufacturers. Our customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities. 	 <table border="1"> <tr> <td>Western Canada</td> <td>50%</td> </tr> <tr> <td>Eastern Canada</td> <td>35%</td> </tr> <tr> <td>Ontario</td> <td>15%</td> </tr> </table>	Western Canada	50%	Eastern Canada	35%	Ontario	15%	 <table border="1"> <tr><td>Industrial/Commercial</td><td>19%</td></tr> <tr><td>Oil Sands</td><td>15%</td></tr> <tr><td>Transportation</td><td>12%</td></tr> <tr><td>Mining</td><td>10%</td></tr> <tr><td>Construction</td><td>9%</td></tr> <tr><td>Forestry</td><td>9%</td></tr> <tr><td>Government & Utilities</td><td>8%</td></tr> <tr><td>Conventional Oil and Gas</td><td>7%</td></tr> <tr><td>Metal Processing</td><td>5%</td></tr> <tr><td>Other</td><td>6%</td></tr> </table>	Industrial/Commercial	19%	Oil Sands	15%	Transportation	12%	Mining	10%	Construction	9%	Forestry	9%	Government & Utilities	8%	Conventional Oil and Gas	7%	Metal Processing	5%	Other	6%
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Other	6%																											
Division Overview	2009 Division Revenue																											
Mobile Equipment	By Product Type																											
<ul style="list-style-type: none"> The largest, multi-line distributor of mobile equipment in Canada. <ul style="list-style-type: none"> 31 branches 882 employees 49% of total revenue and 69% of earnings before interest and taxes Business: Distribute, customize and service mobile equipment from leading manufacturers. Operating Unit: Wajax Industries 	<ul style="list-style-type: none"> Products: Container handlers, Loader backhoes, Cranes (including crawler and rough terrain cranes), Mining trucks and shovels, Shuttle cars and continuous miners, Excavators, Forest harvesting equipment, Skid steer loaders, Utility equipment, Lift trucks, Wheel loaders Markets: Construction, Materials handling, Forestry, Mining, Government, Oil & gas, Intermodal, Utilities, Manufacturing 	 <table border="1"> <tr><td>Construction & Forestry</td><td>38%</td></tr> <tr><td>Mining/Oil Sands</td><td>33%</td></tr> <tr><td>Material Handling</td><td>19%</td></tr> <tr><td>Crane & Utility</td><td>10%</td></tr> </table>	Construction & Forestry	38%	Mining/Oil Sands	33%	Material Handling	19%	Crane & Utility	10%																		
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Material Handling	19%																											
Crane & Utility	10%																											
Industrial Components	By Market																											
<ul style="list-style-type: none"> The leading distributor in Canada for the products Kinacor sells. <ul style="list-style-type: none"> 59 branches 737 employees 29% of total revenue and 11% of earnings before interest and taxes Business: Distribute and provide service and repairs for bearings, power transmission parts, hydraulics, process equipment and automation technologies. Operating units: Kinacor, Peacock 	<ul style="list-style-type: none"> Products: Bearings, Motors, Cylinders, Power transmission parts, Filters, Hoists, Process pumps & equipment, Hoses & fittings, Hydraulic components & systems Markets: Agriculture, Metal processing, Construction, Mining, Food processing, Oil & gas, Forestry, Resellers/Distributors, Transportation, Industrial/Commercial, 	 <table border="1"> <tr><td>Industrial/Manufacturing</td><td>20%</td></tr> <tr><td>Forestry</td><td>16%</td></tr> <tr><td>Mining</td><td>13%</td></tr> <tr><td>Metal Processing</td><td>12%</td></tr> <tr><td>Conventional Oil & Gas</td><td>8%</td></tr> <tr><td>Construction</td><td>7%</td></tr> <tr><td>Transportation</td><td>5%</td></tr> <tr><td>Food & Beverage</td><td>5%</td></tr> <tr><td>Other</td><td>14%</td></tr> </table>	Industrial/Manufacturing	20%	Forestry	16%	Mining	13%	Metal Processing	12%	Conventional Oil & Gas	8%	Construction	7%	Transportation	5%	Food & Beverage	5%	Other	14%								
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Construction	7%																											
Transportation	5%																											
Food & Beverage	5%																											
Other	14%																											
Power Systems	By Market																											
<ul style="list-style-type: none"> One of the largest distributors of diesel engines and transmissions in Canada. <ul style="list-style-type: none"> 20 branches 650 employees 22% of total revenue and 20% of earnings before interest and taxes Business: Distribute and provide parts and service for Detroit Diesel and MTU engines, Allison transmissions, MTU/DDC power generators, G.E. Energy co-generation systems and complementary product lines, and custom-assembled power generation sets. Other products are distributed by DDACE in eastern Canada only Operating units: Waterous Power Systems, DDACE Power Systems 	<ul style="list-style-type: none"> Products: Diesel engines, Power take-offs, Natural gas engines, Transmissions, Power generators Markets: Agriculture, Military, Construction, Mining, Forestry, Oil & gas, Industrial/Commercial, Transportation, Utilities, Marine 	 <table border="1"> <tr><td>On-Highway Transportation</td><td>32%</td></tr> <tr><td>Industrial/Commercial</td><td>31%</td></tr> <tr><td>Conventional Oil & Gas</td><td>15%</td></tr> <tr><td>Oil Sands</td><td>8%</td></tr> <tr><td>Mining</td><td>2%</td></tr> <tr><td>Other</td><td>12%</td></tr> </table>	On-Highway Transportation	32%	Industrial/Commercial	31%	Conventional Oil & Gas	15%	Oil Sands	8%	Mining	2%	Other	12%														
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Financial Highlights

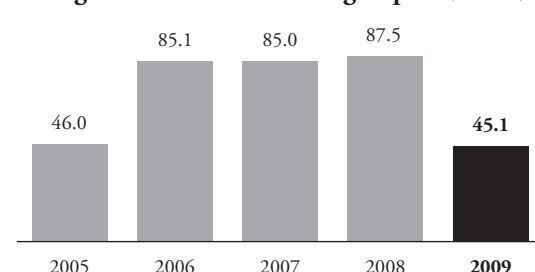
Wajax Income Fund is a leading Canadian distributor and service support provider of mobile equipment, industrial components and power systems. Reflecting a diversified exposure to the Canadian economy, Wajax has three distinct business divisions, which operate through a network of 110 branches across Canada. The organization's customer base covers core sectors of the Canadian economy – mining, oil and gas, forestry, construction, manufacturing, industrial processing, transportation and utilities.

For the years ended December 31 (\$ thousands, except per unit data)	2009	2008	2007
Revenue	\$ 973,125	\$ 1,213,475	\$ 1,192,267
Net earnings	34,229	75,822	71,970
Cash flows from operating activities before changes in non-cash working capital	45,061	87,461	85,038
Working capital, exclusive of funded debt and cash	150,925	203,165	154,467
Funded debt, net of cash	70,254	120,480	60,779
Unitholders' equity	200,361	205,693	198,103
Net earnings per unit – basic	2.06	4.57	4.34
Distributable cash per unit – basic	2.55	4.64	4.47
Cash distributions declared	2.47	4.13	4.36
Debt to equity	0.35:1	0.59:1	0.31:1
Weighted average number of units outstanding	16,596,853	16,585,206	16,585,206

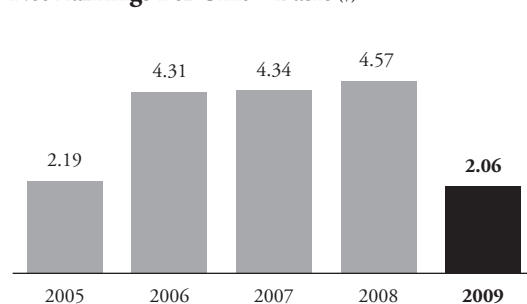
Revenue (\$ millions)



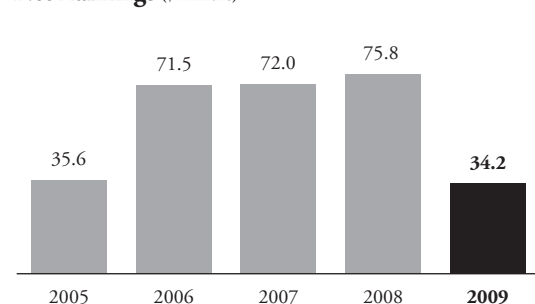
Cash Flows from Operating Activities Before Changes in Non-Cash Working Capital (\$ millions)



Net Earnings Per Unit – Basic (\$)



Net Earnings (\$ millions)



Message to Our Unitholders



Paul E. Gagné
Chairman of the Board



Neil D. Manning
President and Chief Executive Officer

To Our Unitholders,

2009 in Review

2009 revenues declined to \$973.1 million from the record \$1.213 billion reported the year before. Net earnings were \$34.2 million or \$2.06 per unit compared to \$75.8 million or \$4.57 per unit in 2008. In more normal times, lower sales and reduced profits of such magnitude would have been viewed as clearly unsatisfactory. However, in the context of the global recessionary forces that negatively affected the Canadian economy last year, these results were justly reflective of the exceptionally difficult market conditions.

The weak economy overall and reduced activity in manufacturing, forestry, construction and the conventional oil and natural gas sectors in particular, had a sharp negative impact on most of our end markets and led to reduced revenues in all business segments. Our decreased earnings were mainly attributable to these revenue declines. Sales in the Mobile Equipment segment fell 25% as unprecedented market declines of between 35% and 55% were experienced for most equipment product lines. Revenues in Industrial Components fell 13% due to softer market demand (20% after accounting for the Peacock acquisition in the third quarter of 2008). Power Systems sales were 15% below 2008 mainly as a result of lower equipment and parts and service sales to natural gas drilling and servicing customers in western Canada.

We entered 2009 well aware of the greatly changed business environment brought on by the global economic downturn and were able to respond promptly to deteriorating conditions.

Salaries were frozen at 2008 levels. Beginning in the fourth quarter of 2008 and over the course of 2009, we reduced our workforce by approximately 15%. Other selling and administrative expenses were eliminated or realigned with market conditions. As well, as earnings expectations changed, we made corresponding reductions in monthly distributions to the current level of \$0.15 per unit or \$1.80 annualized (cash distributions for the full year totalled \$2.47). This ability to swiftly adapt to the economic downturn was an important factor contributing to the Fund's profits and sizeable reductions in working capital and funded debt.

Looking Ahead

Although the consensus among economists is that the recession has ended, continuing concerns remain about the relative strength of the overall economy and the speed of its recovery. When reporting our third quarter 2009 results, we noted that market demand in our businesses appeared to have stabilized. Our fourth quarter results lent support to this observation and although not pointing to a robust recovery, we anticipate overall market demand for our products to increase modestly in 2010, weighted more heavily to the second half of the year.

Wajax is, however, strategically and financially well positioned to contend with difficult business conditions, as well as take advantage of growth opportunities as the economy emerges from the downturn later this year.

From a strategic perspective, our businesses are highly diversified and participate in numerous industrial sectors. As well, each business is further diversified by product type, geography and customer base. Diversification will mitigate some effects of continuing volatility in particular markets.

Each of our core businesses has a large presence in energy and commodity-rich western Canada. We believe this area and its industries offer an opportunity to participate in a recovering global economy and will continue to drive the Canadian economy.

Oil sands customers are not facing the same financing problems encountered in early 2009 and we anticipate continued strong activity in this sector, as well as increased activity in base metals mining. We have moved to broaden and strengthen Mobile Equipment's underground mining business by securing distribution rights to new product lines, including Phillips shuttle cars and continuous miners. As well, in early 2010, the segment's crane product offering in eastern Canada was expanded to include Kobelco crawler cranes and Tadano rough terrain cranes, for use primarily in industrial/commercial and transportation infrastructure projects.

During 2009, the Industrial Components segment successfully completed its implementation of a new computer system. The new system will provide additional functionality in terms of managing working capital and improving supply chain and logistics processes, and will enable us to reduce costs and inventory levels. As well, the division plans to leverage its technical capabilities by expanding higher margin, value-added service offerings, including increased engineering services. Through these initiatives, it will realize efficiency and productivity gains and add to its revenue base.

We have consolidated the operating units of our Power Systems division and expect this will deliver increased revenues and enhanced efficiencies as best practices from each of the regional businesses are introduced and implemented. In western Canada, management has developed plans to aggressively expand power generation system sales and rentals, relying in part on sales and engineering support in eastern Canada.

We have worked diligently to maintain a sound capital structure that will support the Fund and provide flexibility through the volatility of business cycles. With a strong focus on working capital reductions, we lowered our funded debt, net of cash, to \$70.3 million at year-end. This compares to funded debt, net of cash, of \$120.5 million the year before. Our year-end debt-to-equity ratio improved to 0.35:1 from 0.59:1 in 2008. As a result

of our working capital reduction initiatives throughout 2009, the Fund's balance sheet remains strong. This, combined with low ongoing maintenance capital requirements, will provide us with the flexibility to invest in growth opportunities as they materialize.

As a result of the severity of 2009's recession, large reductions in the Fund's cost structure were effected, not all of which will be restored when growth accelerates. Earnings are expected to be positively impacted by the full-year effect of 2009 cost reductions.

Conversion to Wajax Corporation

As noted in the accompanying Management Information Circular, the Board of Trustees has concluded that when the tax treatment of income trusts changes in January 2011, the current trust structure will cease to be effective for the maximization of unitholder value. The board has decided to recommend that conversion occur on or about January 1, 2011 so unitholders may continue to benefit from the flow-through tax treatment of cash distributions for the longest period possible. It is anticipated that Wajax Corporation will declare and pay a high proportion of net earnings in the form of monthly dividends.

You are encouraged to refer to the Management Information Circular for additional details on the recommendation to convert the Fund to a corporation and on its dividend policy.

Acknowledgements

As previously noted, most of our workforce was not awarded a wage increase in the past year and difficult decisions were made to lay off many of our staff to match reduced business activity. We greatly appreciate and thank our employees for their perseverance and dedication in these stressful circumstances.

We also acknowledge the support and guidance provided by the Board in addressing and keeping a strong focus on the strategic initiatives that will be key to our future success.



Paul E. Gagné
Chairman of the Board



Neil D. Manning
President and
Chief Executive Officer

February 26, 2010

Management's Discussion and Analysis

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

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

Additional information, including the Fund's Annual Report and Annual Information Form, are available on SEDAR at 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 annual Audited 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 annual Audited Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Fund's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). DC&P are designed to provide reasonable assurance that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. DC&P are designed to ensure that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Fund's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required

disclosure. ICFR is designed 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.

As at December 31, 2009 the Fund's management, under the supervision of its CEO and CFO has completed an assessment of the design of DC&P and ICFR. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year the Fund's management, under the supervision of its CEO and CFO, has evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation includes a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud.

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

Wajax Income Fund Overview

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

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 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. Cash distributions are dependent on, among other things, the cash flow of the Fund. See the Conversion to corporate structure section.

The Fund's core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 110 branches across Canada. The Fund is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

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

Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. In particular, but without limitation, this MD&A contains forward-looking statements relating to: the proposed conversion of the Fund to a corporation, the timing of the effective date of the conversion, the potential for the continued payment of distributions by the Fund until the effective date of the conversion, and the potential for payment of dividends by Wajax Corporation following completion of the conversion. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. In particular, forward-looking statements relating to the potential for the continued payment of distributions by the Fund until the effective date of the conversion and the potential payment of dividends by Wajax Corporation following completion of the conversion are based on: the financial and operating attributes of the Fund as at the date hereof, the anticipated operating and financial results of the Fund from the date hereof to the effective date, the anticipated operating and financial results of Wajax Corporation after the effective date, the views of management and the board of trustees of the Fund respecting the benefits associated with the conversion, and the views of management and the board of trustees of the Fund regarding current and anticipated market conditions. Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking

statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting the Fund and its business operations, changes in taxation of the Fund, general business conditions and economic conditions in the markets in which the Fund and its customers compete, fluctuations in commodity prices, the Fund's relationship with its suppliers and manufacturers and its access to quality products, the ability of the Fund to maintain and expand its customer base, failure of the parties to the proposed conversion of the Fund to a corporation by way of plan of arrangement to satisfy the conditions thereof, inability to obtain required consents, permits or approvals, including the approval of the Ontario Superior Court of Justice, for the conversion and the requisite unitholders' approval for the conversion, actual future market conditions being different than anticipated by management and the board of trustees of the Fund, and actual future operating and financial results of the Fund and/or Wajax Corporation being different than anticipated by management and the board of trustees of the Fund. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by the Fund with Canadian securities regulators and available at www.sedar.com. See also the full details of the proposed conversion to be included in the Management Proxy Circular for the Fund's unitholder meeting to be held on May 7, 2010 expected to be mailed on or about April 5, 2010 and which will be available at www.sedar.com. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and neither the Fund nor Wajax Corporation undertakes any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Consolidated Results

Year ended December 31

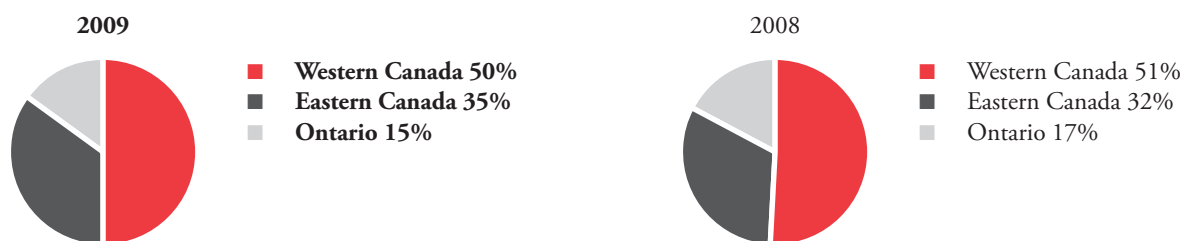
	2009	2008
Revenue	\$ 973.1	\$ 1,213.5
Gross profit	\$ 233.5	\$ 284.8
Selling and administrative expenses	\$ 196.8	\$ 202.4
Earnings before interest and income taxes	\$ 36.7	\$ 82.4
Interest expense	\$ 4.5	\$ 4.7
Income tax (recovery) expense	\$ (2.0)	\$ 1.8
Net earnings	\$ 34.2	\$ 75.8
Distributable cash ⁽¹⁾	\$ 42.3	\$ 77.0
Distributions declared		
Cash	\$ 41.0	\$ 68.5
Non-cash ⁽³⁾	–	\$ 7.8
Distributions paid		
Monthly	\$ 44.5	\$ 68.0
Special	–	\$ 7.8
Earnings per unit		
Basic	\$ 2.06	\$ 4.57
Diluted	\$ 2.04	\$ 4.53
Distributable cash per unit ⁽¹⁾		
Basic ⁽²⁾	\$ 2.55	\$ 4.64
Diluted	\$ 2.52	\$ 4.60
Distributions declared per unit ⁽²⁾		
Cash	\$ 2.47	\$ 4.13
Non-cash ⁽³⁾	–	\$ 0.47
Distributions paid per unit ⁽²⁾		
Monthly	\$ 2.68	\$ 4.10
Special	–	\$ 0.47

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

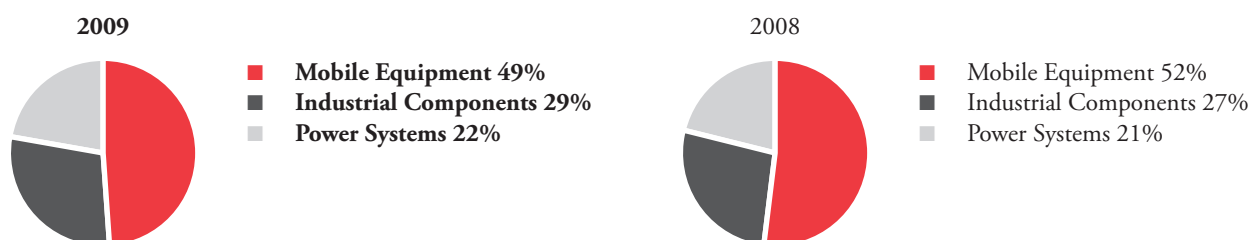
(2) Based on actual number of units outstanding on the relevant record date.

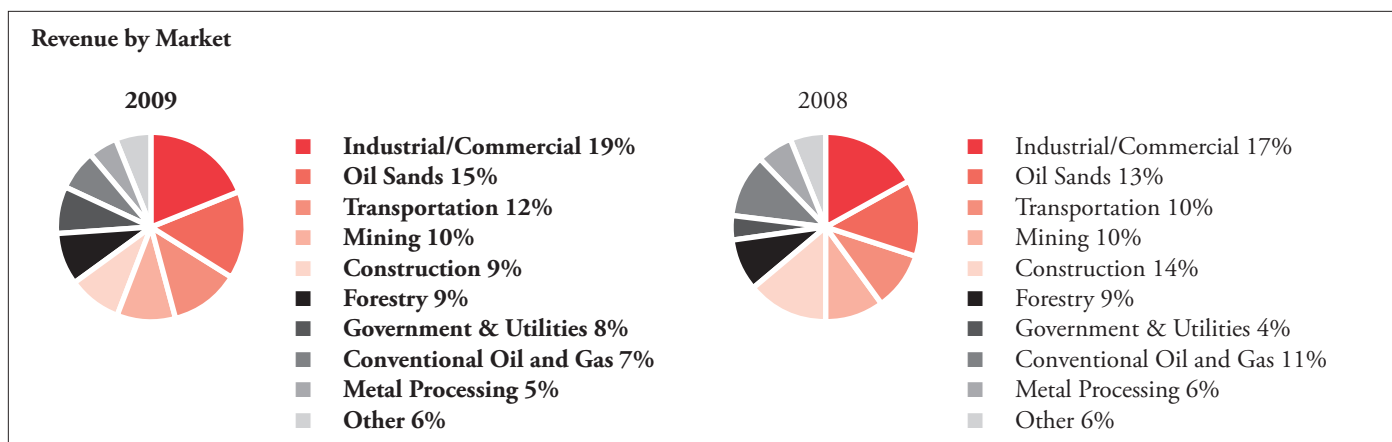
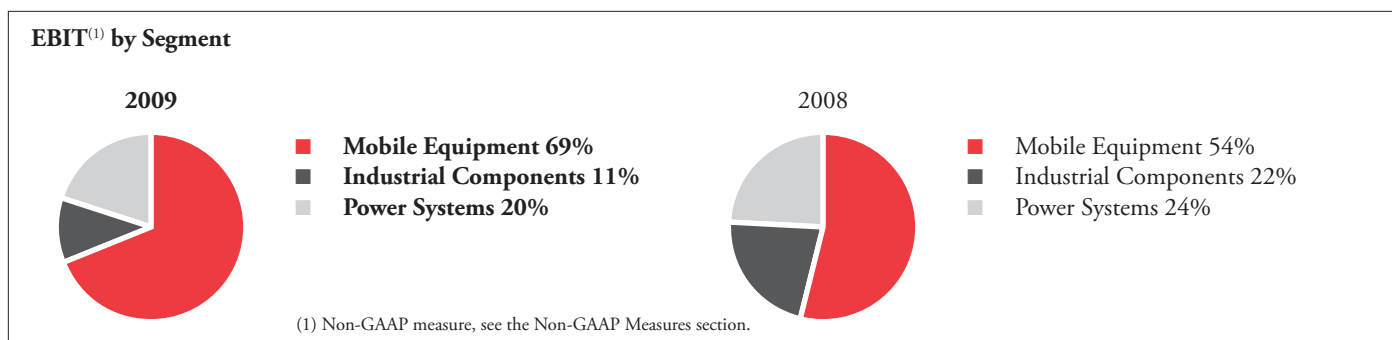
(3) See Distributions section.

Revenue by Geographic Region



Revenue by Segment





Revenue

Revenue in 2009 of \$973.1 million decreased 20%, or \$240.4 million, from \$1,213.5 million in 2008. Excluding Peacock, which was acquired September 5, 2008, revenue in 2009 decreased 22%, or \$260.5 million, compared to last year. Mobile Equipment's revenue decreased 25%, or \$158.4 million, largely from reduced construction and forestry equipment sales across Canada resulting from weaker market conditions. Parts and service volumes were also lower in all sectors except mining where revenue increased year-over-year. Industrial Components revenue decreased 13%, or \$43.2 million, attributable to lower volumes in all regions, driven by declines in the oil and gas, mining and forestry sectors, somewhat offset by the acquisition of Peacock in September 2008. Power Systems revenue decreased 15%, or \$38.3 million, due to a reduction in engine sales and lower parts and service revenue resulting mainly from reduced oil and gas drilling activity in western Canada.

Gross Profit

Gross profit decreased \$51.3 million, or 18%, in 2009 due to the negative impact of lower volumes, offset partially by the positive impact of higher gross profit margins compared to last year. The gross profit margin percentage increased to 24.0% from 23.5% last year due to a greater proportion of parts and service sales, offset somewhat by lower parts margins in all segments and cost overruns on generator set packages in Waterous compared to last year.

Selling and Administrative Expenses

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

Interest Expense

Interest expense decreased \$0.2 million to \$4.5 million in 2009 from \$4.7 million in 2008. The positive impact of lower interest rates was for the most part reduced by the impact of higher funded debt net of cash ("funded net debt") outstanding in 2009 compared to last year.

Income Tax Expense

The effective income tax rate of negative 6.2% for the year decreased from 2.3% the previous year due mainly to a recovery of current income taxes resulting from a tax loss in the Fund's subsidiary Wajax Limited.

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

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

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

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

Net Earnings

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

Comprehensive Income

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

Funded Net Debt

Funded net debt of \$70.3 million decreased \$50.2 million in 2009 compared to last year as cash flows from operating activities before changes in non-cash working capital of \$45.1 million and a decrease in non-cash working capital of \$57.3 million exceeded cash distributions of \$44.5 million and capital spending of \$7.4 million. As a result, the Fund's year-end debt-to-equity ratio of 0.35:1 decreased from last year's ratio of 0.59:1.

Distributable Cash (see Non-GAAP Measures section) and Distributions

For the twelve months ended December 31, 2009 distributable cash was \$42.3 million, or \$2.55 per unit, compared to \$77.0 million, or \$4.64 per unit, the previous year. The decrease was essentially attributable to lower cash flows from operations before changes in non-cash working capital, offset by lower maintenance capital expenditures compared to last year.

For the twelve months ended December 31, 2009 monthly cash distributions declared were \$2.47 per unit (2008 – \$4.13 per unit). For 2009, \$2.16 per unit (2008 – \$4.13 per unit) of distributions will be treated as other income and \$0.31 per unit (2008 – \$nil) of distributions will be treated as a return of capital for Canadian income tax purposes. In 2008, a \$0.47 per unit special non-cash distribution was paid to ensure the Fund's total distributions for the year equaled its taxable income.

Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2009 of \$1.3 million, or \$0.08 per unit, provides the Fund an amount for future capital requirements or distributions.

Unitholder tax information relating to 2009 distributions is available on the Fund's website at www.wajax.com.

Conversion to Corporate Structure

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

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

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

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

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

Results of Operations

Mobile Equipment

For the year ended December 31	2009	2008
Equipment	\$ 290.1	\$ 430.1
Parts and service	\$ 186.8	\$ 205.2
Gross revenue	\$ 476.9	\$ 635.3
Segment earnings	\$ 30.5	\$ 50.0
Segment earnings margin	6.4%	7.9%

Revenue by Product Type 2009 versus 2008

Market	2009	2008
Construction & Forestry	38%	46%
Mining/Oil Sands	33%	24%
Material Handling	19%	21%
Crane & Utility	10%	9%

Revenue decreased 25%, or \$158.4 million, to \$476.9 million in 2009 from \$635.3 million in 2008. Segment earnings decreased \$19.5 million to \$30.5 million in 2009 compared to \$50.0 million in 2008. The following factors contributed to the results:

- Equipment revenue decreased by \$140.0 million compared to last year as overall market demand for new equipment in the construction and forestry and material handling sectors declined approximately 40%. Specific year-over-year variances included the following:
 - Construction and forestry equipment revenue decreased \$100.2 million. New Hitachi construction excavator and JCB construction equipment sales declined in all regions with weaker market conditions being the main contributing factor. Forestry equipment sales decreased on lower Hitachi and Peterson Pacific equipment volumes in western Canada and Ontario stemming from a decline in market demand. Forestry equipment sales in eastern Canada remained flat compared to last year.
 - Material handling equipment revenue decreased \$29.9 million with reductions in new equipment sales and rental volumes evident in all regions resulting primarily from lower demand in all industrial markets.

- Crane and utility equipment revenue decreased \$7.5 million as a decline in sales in western Canada was partially offset by an increase in sales to hydro utility customers.
- Mining equipment revenue decreased \$2.5 million on fewer mining unit deliveries.
- Parts and service volumes decreased \$18.4 million compared to last year as declines in the construction and forestry, material handling and crane and utility sectors across Canada more than offset gains in the mining sector.
- Earnings decreased \$19.5 million compared to last year. The negative impact of lower volumes outweighed the benefit of higher margins and a \$2.2 million decrease in selling and administrative expenses. A greater proportion of parts and service sales compared to last year was the main contributing factor to the higher margins. Selling and administrative expenses decreased as the benefit from lower personnel expenses and other sales related costs were mostly offset by lower expense recoveries and higher severance costs compared to last year.

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

Overall, management believes the segment is well positioned to take advantage of growth opportunities, particularly in the energy, mining and infrastructure sectors as the Canadian economy emerges from the recent downturn. The segment's focus going forward will include initiatives to grow revenue and earnings as the economy strengthens.

The segment will continue to review and identify new product opportunities and ways to increase market share including the following:

- During the year, Mobile Equipment's underground mining business was strengthened by securing distribution rights to new product lines, including Phillips shuttle cars and continuous miners. In early 2010, the segment's crane product offering in eastern Canada was expanded to include Kobelco crawler cranes and Tadano rough terrain cranes, for use primarily in the industrial/commercial and transportation infrastructure projects.
- The segment will continue to investigate and integrate new product opportunities, including those from offshore manufacturers.

- The segment will grow construction equipment sales in major metropolitan markets across Canada through dedicated sales forces. In particular, a sales group has recently been established to solely market JCB products to improve market penetration.
- Mobile Equipment is establishing a dedicated in-house group to source retail financing, insurance and other value added products for customers at the time of equipment purchase. This group will be introduced under the Wajax Financial Services brand and will replace Wajax Finance, the former "private label" financing operation of an equipment financing company.

The Mobile Equipment segment will also continue to emphasize initiatives to expand the higher margin aftermarket parts and service business by:

- Continuing to capitalize on aftermarket parts and service opportunities from its machine population in the construction and forestry, and mining sectors. In particular, completion in early 2010 of the Fort McMurray facility expansion and the segment's enhanced presence in Fort McKay closer to the oil sands mine sites, will allow for better and more cost effective service for new and existing customers.
- The segment's market access in southern Ontario will be enhanced through facility rationalization and expansion. The Milton facility will be replaced with new facilities in Hamilton and Kitchener augmenting existing facilities in Mississauga, London and Windsor.

Industrial Components

For the year ended December 31	2009	2008
Gross revenue	\$ 279.6	\$ 322.8
Segment earnings	\$ 4.7	\$ 20.2
Segment earnings margin	1.7%	6.3%

Revenue by Market 2009 versus 2008

Market	2009	2008
Industrial/Manufacturing	20%	17%
Forestry	16%	16%
Mining	13%	14%
Metal Processing	12%	13%
Conventional Oil & Gas	8%	11%
Construction	7%	6%
Transportation	5%	5%
Food & Beverage	5%	4%
Other	14%	14%

Revenue decreased \$43.2 million, or 13%, to \$279.6 million from \$322.8 million in 2008. Excluding Peacock, which was acquired in September 2008, Industrial Components revenue

declined \$63.3 million, or 20% compared to last year. Segment earnings decreased \$15.5 million to \$4.7 million compared to \$20.2 million in the previous year. The year-over-year changes in revenue and earnings were a result of the following factors:

- Bearings and power transmission parts sales decreased \$35.9 million. Lower volumes in the forestry and mining sectors across all regions, decreased sales to metal processing, transportation and industrial customers in eastern Canada and Ontario and lower natural gas drilling activity in western Canada accounted for the decline.
- Fluid power and process equipment product and service revenue decreased \$7.3 million. Excluding Peacock, revenue declined \$27.4 million due mostly to reduced natural gas drilling activity in western Canada, decreased sales to resellers and lower volumes in industrial, mining and transportation sectors across Canada.
- Segment earnings decreased \$15.5 million compared to last year on lower volumes and margins and a \$2.2 million increase in selling and administrative expenses. Margins were lower on fluid power parts and service revenue, offset somewhat by higher margins on Peacock volumes. Excluding Peacock, selling and administrative expenses decreased \$6.1 million as lower personnel and other sales related expenses and reduced computer system conversion costs were only partially offset by higher bad debt, severance and occupancy costs.

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

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

The following initiatives have been established to increase the segment's revenue base and enhance profitability through efficiency and productivity gains:

- During the year, the segment successfully completed its implementation of a new computer system. The new system will provide additional functionality in terms of managing working capital and improving supply chain and logistics processes. It will primarily enable Industrial Components to further reduce costs and inventory levels.

- The segment is planning to leverage its technical capabilities by expanding higher margin, value-added service offerings, including increased engineering services. In addition, sales volumes will be improved through developing national accounts, growing sales of Peacock products and continued development of the segment's globally sourced private label brands HY-SPEC and NATIONAL.
- Industrial Components will continue to focus on margin improvement initiatives including modification of pricing strategies and freight cost reductions.

Power Systems

For the year ended December 31	2009	2008
Equipment	\$ 91.5	\$ 117.8
Parts and service	\$ 128.6	\$ 140.6
Gross revenue	\$ 220.1	\$ 258.4
Segment earnings	\$ 8.8	\$ 21.7
Segment earnings margin	4.0%	8.4%

Revenue by Market 2009 versus 2008

Market	2009	2008
On-highway Transportation	32%	30%
Industrial/Commercial	31%	26%
Conventional Oil & Gas	15%	28%
Oil Sands	8%	8%
Mining	2%	2%
Other	12%	6%

Revenue decreased \$38.3 million, or 15%, to \$220.1 million in 2009 from \$258.4 million in 2008. Segment earnings decreased \$12.9 million to \$8.8 million in 2009 from \$21.7 million in 2008. The following factors impacted year-over-year revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada decreased \$35.3 million in 2009. Equipment revenue decreased \$20.2 million as reduced engine sales to oil and gas drilling customers were only partially offset by an increase in sales of generator set packages. Parts and service revenue decreased \$15.1 million due to lower sales to off-highway customers in the natural gas sector and a decline in on-highway customer volumes.
- Revenue at the eastern Canada operation, DDACE Power Systems ("DDACE"), decreased \$3.0 million in 2009. Equipment sales decreased \$6.1 million compared to last year on lower generator set deliveries and reduced new engine sales to industrial customers. Parts and service revenue rose by \$3.1 million with higher military contract volumes contributing to the increase.

- Earnings decreased \$12.9 million compared to last year as the negative impact of lower volumes and margins outweighed a \$3.5 million decrease in selling and administrative expenses. Segment margins decreased mainly as a result of cost overruns on generator set packages in Waterous and lower parts margins compared to last year. Decreased selling and administrative expenses were attributable to lower personnel and other sales related expenses offset partially by increased occupancy costs.

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

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

Going forward, management will focus on the following growth and profit improvement initiatives:

- Expand the on-highway aftermarket product support program to western Canada and enhance the program in eastern Canada with the introduction of additional products.
- Increase power generation sales and margins by creating a dedicated sales and engineering team to leverage the segment's technical capabilities across Canada and targeted expansion into the power generation rental market.
- Broaden the product offering of gas engines and lower horsepower diesel engines for use in construction, industrial and petroleum markets.

Fourth Quarter Consolidated Results

For information regarding the Fund's fourth quarter consolidated results, please see the fourth quarter 2009 MD&A incorporated by reference herein available on SEDAR at www.sedar.com.

Selected Quarterly Information

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

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

A discussion of the Fund's previous quarterly results can be found in the Fund's quarterly MD&A reports available on SEDAR at www.sedar.com.

Selected Annual Information

	2009	2008	2007
Revenue	\$ 973.1	\$ 1,213.5	\$ 1,192.3
Net earnings	\$ 34.2	\$ 75.8	\$ 72.0
Net earnings per unit			
Basic	\$ 2.06	\$ 4.57	\$ 4.34
Diluted	\$ 2.04	\$ 4.53	\$ 4.31
Total assets	\$ 448.2	\$ 529.6	\$ 468.2
Long-term liabilities	\$ 87.8	\$ 124.6	\$ 59.8
Distributions declared per unit			
Cash	\$ 2.47	\$ 4.13	\$ 4.36
Non-cash ⁽¹⁾	–	\$ 0.47	\$ 0.05

(1) See Distributions section.

Revenue in 2009 of \$973.1 million decreased \$219.2 million from \$1,192.3 million in 2007. Mobile Equipment's revenue decreased 24%, or \$150.7 million, largely from reduced market demand for equipment across Canada, primarily in the construction and forestry sector, partially offset by an increase in mining sector parts and service volumes. Industrial Components revenue decreased 10%, or \$29.9 million, mostly attributable to lower volumes in all regions somewhat offset by revenue related to the acquisition of Peacock in September 2008. Power Systems revenue decreased 15%, or \$38.3 million, resulting mainly from a reduction in engine sales to oil and gas drilling customers in western Canada and decreased generator set sales in eastern Canada.

Earnings decreased \$37.8 million from 2007 to 2009. The decline was attributable to the decreases in revenue noted above, higher selling and administrative expenses primarily due to the Peacock acquisition and a \$2.4 million gain on sale of land included in 2007, offset in part by a higher gross profit margin, income tax recoveries and lower interest expense. Gross profit margin increased due to a higher proportion of parts and service revenue.

Total assets decreased \$20.0 million between December 31, 2007 and December 31, 2009. The overall decrease in total assets is attributable to reductions in inventories and accounts receivable resulting from the decline in sales activity in all segments offset by increases resulting from the acquisition of Peacock.

Long-term liabilities at December 31, 2009 of \$87.8 million represented an increase of \$28.0 million compared to December 31, 2007 as long-term debt was increased to fund business acquisitions.

Liquidity and Capital Resources

The Fund generated \$95.0 million of cash flows before financing activities in 2009 compared to \$16.4 million in 2008. The \$78.6 million increase in cash flows before financing activities was due to lower non-cash working capital requirements and lower investing activities, reduced by lower cash flows from operations before changes in non-cash working capital.

Cash provided by operating activities amounted to \$102.4 million in 2009, with \$45.1 million of cash generated from operating activities before changes in non-cash working capital

and \$57.3 million from a reduction in non-cash working capital. Changes in non-cash working capital for the year ended December 31, 2009 include the following components:

(Decrease) Increase in non-cash working capital

Accounts receivable	\$ (39.2)	Note 1
Inventories	\$ (53.1)	Note 2
Prepaid expenses and other recoverable amounts	\$ 2.8	Note 3
Accounts payable and accrued liabilities	\$ 29.3	Note 4
Income taxes payable	\$ 2.9	Note 5
Total	\$ (57.3)	

1. Accounts receivable decreased \$39.2 million due primarily to lower sales activity and collection of a large mining equipment receivable in Mobile Equipment.
2. Inventory decreased \$53.1 million on general reductions in all segments resulting from the decline in sales activity.
3. Prepaid expenses increased \$2.8 million due to higher deposits with suppliers in Power Systems.
4. Accounts payable and accrued liabilities decreased \$29.3 million reflecting reduced inventory purchases and lower bonus accruals.
5. Income taxes payable decreased due to a payment of prior year income taxes and the current year income tax recovery related to the Fund's subsidiary Wajax Limited.

The Fund reinvested \$7.4 million of cash provided by operating activities. Investing activities included \$7.0 million of other capital asset additions net of disposals and \$0.4 million of lift truck rental fleet additions net of disposals. Significant capital asset additions included the Fort McMurray and Fort McKay facility expansions.

Working capital, exclusive of cash and bank indebtedness, decreased \$52.3 million to \$150.9 million at December 31, 2009. The decrease was due to the cash flow factors listed above and a \$3.5 million decrease in the distributions payable.

The Fund sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and a small group of employees on long-term disability benefits. The fair value of the defined benefit plans' assets increased \$1.9 million to \$11.0 million at December 31, 2009 due to a \$1.5 million return on plan assets and excess contributions over benefits paid for the year. In addition, the accrued benefit obligations at December 31, 2009 were \$15.7 million and include a \$3.4 million benefit obligation related to the Wajax Limited Supplemental Executive Retirement Plan (SERP) that is not funded. The resulting plan deficit at December 31, 2009 excluding the SERP, which is secured by a \$3.9 million letter of credit, was \$1.3 million. The defined benefit plans are subject to actuarial valuations in 2010 and 2012. Management does not expect future cash contribution requirements to change

materially from the 2009 contribution level of \$1.2 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

Funded net debt of \$70.3 million at December 31, 2009 decreased \$50.2 million compared to last year. Cash flows from operating activities before changes in non-cash working capital of \$45.1 million and a decrease in non-cash working capital of \$57.3 million exceeded cash distributions of \$44.5 million and capital spending of \$7.4 million. As a result, the Fund's year-end debt-to-equity ratio of 0.35:1 decreased from last year's ratio of 0.59:1.

At December 31, 2009, the terms of the Fund's \$175 million bank credit facility included the following:

- The facility is fully secured, expiring December 31, 2011, made up of a \$30 million non-revolving term portion and a \$145 million revolving term portion.
- Borrowing capacity is dependent upon the level of the Fund's inventories on-hand and the outstanding trade accounts receivable.
- The facility contains customary restrictive covenants including limitations on the payment of cash distributions and the maintenance of certain financial ratios all of which were met as at December 31, 2009. The Fund will be restricted from the payment of monthly cash distributions in the event the Fund's ratio of debt to earnings before interest, taxes, depreciation and amortization (the "Leverage Ratio") exceeds three times. In addition, monthly cash distributions in each fiscal quarter may not exceed 115% of the distributable cash flow (as defined in the credit facility) for the trailing four fiscal quarters.
- Borrowings bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. The Fund has entered into interest-rate swap contracts with two of its lenders, such that in total the interest rate on \$80 million of the Fund's debt is effectively fixed at the combined rate of 2.925% plus applicable margins until December 31, 2011. Margins on the facility depend on the Fund's Leverage Ratio at the time of borrowing and range between 0.75% and 2.50% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and nil% and 1.5% for prime rate borrowings. See the Financial Instruments section below.

At December 31, 2009, the Fund had borrowed \$80.0 million and issued \$4.7 million of letters of credit for a total utilization of \$84.7 million of its \$175 million bank credit facility. At December 31, 2009 borrowing capacity under the bank credit facility was equal to \$172.8 million.

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

The Fund has a \$15 million demand inventory equipment financing facility with a non-bank lender. The equipment notes payable under the facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields. Principal repayments commence between 6 and 12 months from the date of financing and the notes are due in full when the equipment is sold. At December 31, 2009 the Fund had no utilization of its \$15 million equipment financing facility.

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

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

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 instruments outstanding at the end of the year were as follows:

- The Fund has entered into the following interest rate swaps that have effectively fixed the interest rate on \$80 million of the Fund's debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:

- On June 7, 2008 the delayed interest rate swap the Fund entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until expiry of the facility on December 31, 2011.
- On January 23, 2009, the delayed interest rate swap the Fund entered into on December 18, 2008 with two of its lenders became effective. As a result, the interest rate on the \$50 million revolving term portion of the bank credit facility was effectively fixed at 1.92% plus applicable margins until expiry of the facility on December 31, 2011.
- Margins on the debt associated with the interest rate swaps depend on the Fund's Leverage Ratio and range between 0.75% and 2.5%.
- The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at December 31, 2009, the Fund had contracts outstanding to buy U.S.\$20.5 million and to sell U.S.\$0.03 million (December 31, 2008 – to buy U.S.\$13.2 million and €0.04 million and to sell U.S.\$10.0 million). These include contracts expiring between January 2010 and November 2010, with a weighted average U.S. dollar rate of 1.0665.

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

Currency Risk

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

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on the Fund's revenue and cash flows as a result of certain products being imported from the U.S. Market conditions generally require the Fund to lower its selling prices as

the U.S. dollar declines. As well, many of the Fund's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from the Fund.

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on the Fund's revenue as a result of certain products being imported from the U.S. The Fund will

periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded.

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

Contractual Obligations

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

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

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

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment, vehicles and other equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section above. At December 31, 2009, the non-discounted operating lease commitments for facilities totaled \$72.0 million, rental fleet \$11.5 million, vehicles \$0.1 million and other equipment \$1.5 million.

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

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 credit facilities. In the event the rental fleet program was terminated, the Fund would source alternative lenders to replicate the off balance sheet rental fleet program and/or utilize capacity under its credit facilities 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 facilities. See the Liquidity and Capital Resources section.

Although the Fund's consolidated contractual annual lease commitments decline year-by-year, it is anticipated that existing leases will either be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, the Fund may incur capital expenditures to acquire equivalent capacity.

Non-GAAP Measures

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

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

as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable, and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See the Distributable Cash section below for the method of calculating the Fund's "Distributable cash".

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

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

Distributions

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

Distributions are based on distributable cash (see Non-GAAP Measures section) and depend, 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 liquidity and for the payment of costs or other obligations that have been or are reasonably expected to be incurred by the Fund. See the Conversion to corporate structure, Liquidity and Capital Resources and Distributable Cash sections.

Cash distributions to unitholders for the periods January 1, 2009 to December 31, 2009 and January 1, 2008 to December 31, 2008 were declared as follows:

Month ⁽¹⁾	2009		2008	
	Per Unit	Amount	Per Unit	Amount
January	\$ 0.36	\$ 6.0	\$ 0.33	\$ 5.5
February	0.36	6.0	0.33	5.5
March	0.20	3.3	0.33	5.5
April	0.20	3.3	0.33	5.5
May	0.20	3.3	0.34	5.6
June	0.20	3.3	0.34	5.6
July	0.20	3.3	0.34	5.6
August	0.15	2.5	0.35	5.8
September	0.15	2.5	0.36	6.0
October	0.15	2.5	0.36	6.0
November	0.15	2.5	0.36	6.0
December	0.15	2.5	0.36	6.0
Total cash distributions for the year ended				
December 31	\$ 2.47	\$ 41.0	\$ 4.13	\$ 68.5

(1) The Fund's monthly cash distributions are generally payable to unitholders of record on the last business day of each calendar month and are paid on or about the 20th day of the following month.

Distributions paid by the Fund for 2009 and 2008 were funded from cash generated by the Fund's operations before changes in non-cash working capital.

During the year the total of the Fund's regular monthly cash distributions to unitholders of \$2.47 per unit decreased by \$1.66 per unit, or 40%, from \$4.13 per unit in 2008. This reflects the reduction in distributable cash generated by the Fund during 2009 compared to 2008.

For 2009, \$2.16 per unit (2008 – \$4.13 per unit) of distributions will be treated as other income and \$0.31 per unit (2008 – \$nil) of distributions will be treated as a return of capital for Canadian income tax purposes.

In 2008 a \$0.47 per unit special non-cash distribution was paid to ensure the Fund's total distributions for the year equaled its taxable income.

Treatment of the Fund's distributions for Canadian Income Tax Purposes for 2009 and 2008 is as follows:

Taxation Year	Other Income	Return of Capital	Total
2009	87.55%	12.45%	100%
2008	100%	–	100%

Unitholder tax information relating to 2008 and 2009 distributions is available on the Fund's website at www.wajax.com.

Distributable Cash ⁽¹⁾

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 (a GAAP measure) to distributable cash (a non-GAAP measure).

For the year ended December 31	2009	2008
Cash flows from operating activities	\$ 102.4	\$ 58.7
Changes in non-cash working capital ⁽²⁾	(57.3)	28.8
Cash flows from operating activities before changes in non-cash working capital	45.1	87.5
Entity specific adjustments ⁽³⁾ :		
Maintenance capital expenditures ^{(1) (3a)}	(2.5)	(11.1)
Accrual for mid-term incentives ^(3b)	–	0.9
Amortization of deferred financing costs ^(3c)	(0.3)	(0.3)
Distributable cash ⁽¹⁾	\$ 42.3	\$ 77.0
per unit basic	\$ 2.55	\$ 4.64
per unit fully diluted	\$ 2.52	\$ 4.60
Distributions declared		
Cash	\$ 41.0	\$ 68.5
Non-cash ⁽⁴⁾	–	\$ 7.8
Distributions declared – per unit		
Cash	\$ 2.47	\$ 4.13
Non-cash ⁽⁴⁾	–	\$ 0.47
Payout ratio ⁽⁵⁾	96.9%	88.9%

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

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

(3) **Other entity specific adjustments** made in calculating distributable cash include the following:

- Maintenance capital expenditures** represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.
- Accruals for mid-term incentives: change in accruals for mid-term incentives** are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.
- Amortization of deferred financing costs** is a deduction in calculating distributable cash based on the amount included in the financing activities section of the statement of cash flow (in the year of 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 twelve months ended December 31, 2009, distributable cash was \$42.3 million, or \$2.55 per unit, compared to \$77.0 million, or \$4.64 per unit, the previous year. The \$34.7 million decrease in distributable cash was due to a \$42.4 million decrease in 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, monthly cash distributions declared were \$2.47 per unit (2008 – \$4.13 per unit). In 2008, a special non-cash distribution equal to \$0.47 per unit was paid to ensure the Fund's total distributions for the year equaled its taxable income.

Distributable cash (see Non-GAAP Measures section) is dependent 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).

- Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$175 million bank credit facility, along with \$15 million of capacity permitted in addition to the 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 accounts trade receivable. See the Liquidity and Capital Resources section.
- Maintenance capital expenditures represents cash expenditures required to maintain normal operations and exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2009 of \$1.3 million, or \$0.08 per unit, provides the Fund an additional amount for future capital requirements or distributions. See the Distributions section.

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

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

For the year ended December 31	2009	2008
A. Cash flows from operating activities	\$ 102.4	\$ 58.7
B. Net earnings	34.2	75.8
C. Distributable cash ⁽¹⁾	42.3	77.0
D. Cash distributions declared	41.0	68.5
E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)	61.4	(9.8)
F. Excess (shortfall) of net earnings over cash distributions declared (B – D)	(6.8)	7.3
G. Excess of distributable cash over cash distributions declared (C – D)	1.3	8.5

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

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

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

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

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

For the year ended December 31	2009	2008
Net earnings	\$ 34.2	\$ 75.8
Add (deduct)		
Amortization ⁽¹⁾	9.4	9.4
Maintenance capital expenditures ^{(2) (3)}	(2.5)	(11.1)
Non-cash items:		
Pension expense, net of payments	(0.2)	0.2
Non-cash rental expense	0.2	0.3
Unit-based compensation expense	1.4	1.8
Future income taxes	(0.2)	0.6
Distributable cash ⁽²⁾	\$ 42.3	\$ 77.0

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

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

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

Standardized Distributable Cash ⁽¹⁾ and Reconciliation to Distributable Cash ⁽²⁾

The following is a calculation of standardized distributable cash calculated in accordance with the recommendations 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 year ended December 31	2009	2008
Cash flows from operating activities	\$ 102.4	\$ 58.7
A. Capital expenditure outlays ⁽³⁾:	(9.9)	(15.8)
B. Restriction on distributions ⁽⁴⁾	—	—
Standardized Distributable Cash ^{(1) (2)}	\$ 92.5	\$ 42.9
per unit basic	\$ 5.57	\$ 2.59
per unit fully diluted	\$ 5.51	\$ 2.56
i. Capital adjustments made to reflect maintenance capital expenditures ⁽⁵⁾:		
Proceeds from disposals of capital expenditures	2.5	1.3
Growth capital expenditures	3.4	1.5
Rental fleet transferred to inventory	1.5	1.9
ii. Other entity specific adjustments ⁽⁶⁾:		
Changes in non-cash working capital ^(6a)	(57.3)	28.8
Accrual for mid-term incentives ^(6b)	—	0.9
Amortization of deferred financing charges ^(6c)	(0.3)	(0.3)
Distributable Cash ⁽²⁾	\$ 42.3	\$ 77.0
per unit basic	\$ 2.55	\$ 4.64
per unit fully diluted	\$ 2.52	\$ 4.60
Distributions Declared		
Cash	\$ 41.0	\$ 68.5
Non-cash ⁽⁷⁾	—	\$ 7.8
Distributions Declared - per unit		
Cash	\$ 2.47	\$ 4.13
Non-cash ⁽⁷⁾	—	\$ 0.47
Payout ratio ⁽⁸⁾		
based on standardized distributable cash	44.3%	159.6%
based on distributable cash	96.9%	88.9%

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

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

(3) **Capital expenditure outlays** include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.

(4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.

(5) **Capital adjustments** are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.

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

- Changes in Non-cash Working Capital** see Distributable Cash section.
- Accruals for Mid-Term Incentives** see Distributable Cash section.
- 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 twelve months ended December 31, 2009, standardized distributable cash was \$92.5 million, or \$5.57 per unit, compared to \$42.9 million, or \$2.59 per unit, the previous year. The \$49.6 million increase was attributable to a \$43.7 million increase in cash flows from operating activities and lower capital expenditures of \$5.9 million. See the Liquidity and Capital Resources section.

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

Productive Capacity and Productive Capacity Management

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

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

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

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

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

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

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

Financing Strategies

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing 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 as was the case in 2009. This can result in standardized distributable cash increasing in years of declining activity and decreasing in years of growth. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities. Therefore, for the reasons noted the Fund adjusts for changes in non-cash working capital in calculating distributable cash in periods where the Fund has capacity under its credit facility to fund the changes in non-cash working capital.

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

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

The bank credit facility contains covenants that could restrict the ability of the Fund to make cash distributions, if (i) an event of default exists or would exist as a result of a cash distribution, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate cash distributions by the borrowers in each fiscal quarter may

not exceed 115% of distributable cash for the trailing four fiscal quarters. Notwithstanding the restrictions relating to the leverage ratio, a special cash distribution in the first quarter of each fiscal year is permitted in an amount not to exceed the amount by which distributable cash for the preceding fiscal year exceeds declared cash distributions for the preceding fiscal year plus any excess cumulative distributable cash over cash distributions of prior years. In addition, borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. For further detail, the Fund's bank credit facility is available on SEDAR at www.sedar.com.

Unit Capital

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

Issued and fully paid Trust Units as at December 31, 2009

	Number	Amount
Balance at the beginning		
of the year	16,585,206	\$ 104.9
Rights exercised	18,217	0.4
Balance at the end of the year	16,603,423	\$ 105.3

See the Conversion to corporate structure section.

The Fund has four unit-based compensation plans: the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units, while the MTIP consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. Compensation expense for the UOP, DUP and TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period with an offsetting adjustment to accrued liabilities. The Fund recorded compensation cost of \$1,416 thousand for the year (2008 – \$1,759 thousand) in respect of these plans.

At December 31, 2009, 126,125 (2008 – 109,559) rights were outstanding under the UOP, 21,944 (2008 – 18,722) rights were outstanding under the DUP and 117,518 (2008 – 83,780) rights were outstanding under the TDUP.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Fund has taken into account the current economy when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. Note 2 to the Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. The Fund bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances. The more significant estimates include provisions for inventory obsolescence and doubtful accounts, warranty reserves and fair market values for goodwill impairment tests.

Provision for Inventory Obsolescence

The value of the Fund's new and used equipment is evaluated by management throughout each year. When required, reserves are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Fund identifies slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Fund takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2009 was \$3.0 million compared to \$3.0 million in 2008 which included a \$2.4 million write-down of forestry equipment inventory related to a supplier insolvency. If economic conditions deteriorated further, there is risk that the Fund could have an increase in inventory obsolescence compared to 2009 which would result in an increased charge to earnings.

Provision for Doubtful Accounts

The Fund is exposed to credit risk with respect to its accounts receivable. However, this is somewhat minimized by the Fund's large customer base which covers most business sectors across Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The \$2.3 million provision for doubtful accounts at December 31, 2009 did not reflect any significant increase in expected losses compared to prior years. However if economic conditions deteriorated further, there is risk that the Fund could experience a greater number of defaults compared to 2009 which would result in an increased charge to earnings.

Warranty Reserve

The Fund provides for customer warranty claims that may not be covered by the manufacturers' standard warranty. In Mobile Equipment, the reserve is determined by applying a claim rate to the value of each machine sold. The rate is developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and adjusted as required.

Goodwill and Intangible Assets

Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate goodwill and indefinite life intangible assets might be impaired. To test for impairment, the Fund compares each reporting unit's carrying value to its fair value. Fair value is determined by a calculation of discounted future cash flows and by reference to market valuations, where available. Any impairment in the current year would be recorded as a charge against current earnings. During the year, the Fund performed an impairment test of its goodwill and indefinite life intangible assets and concluded that no impairment existed in the goodwill and indefinite life intangible assets associated with any of the Fund's reporting units.

Finite life intangible assets are amortized on a straight line basis over their useful lives and are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. Impairment of a finite life intangible asset would be recognized in an amount equal to the difference between the carrying value and the fair value of the related finite life intangible asset. The Fund concluded that no impairment of the carrying value of the finite life intangible assets existed.

While the Fund uses available information to prepare its estimate of fair value, actual results could differ significantly from management's estimates which could result in future impairment and losses related to recorded goodwill and other asset balances. The Fund took into account the current market conditions heading into 2010 when estimating the fair value of goodwill and other assets.

Financing Costs

Transaction costs related to the acquisition or amendment of long-term debt are deferred and amortized to interest expense using an effective yield method. Deferred financing costs are included in the carrying amount of the related debt.

Changes in Accounting Policy Accounting Changes

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

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

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

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

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

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

The IFRS standard for inventories requires that certain overheads be allocated to service provider inventory. On transition it is expected that this will increase inventory and retained earnings

on the balance sheet as previously expensed overhead costs are allocated to inventory on hand. Thereafter it is expected that cost of sales will increase and selling, general and administration expenses will decrease.

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

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

Risks and Uncertainties

As with most businesses, the Fund is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and the Fund's ability to pay cash distributions to unitholders. 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.

Government Regulation

The Fund's business is subject to evolving laws and government regulations, particularly in the areas of income trust taxation, the environment, and health and safety. Changes to such laws and regulations may impose additional costs on the Fund and may adversely affect its business in other ways, including requiring additional compliance measures by the Fund. Please refer to the Tax related risk section below for additional detail.

Tax Related Risk

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

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

Economic Conditions/Business Cyclicity

The Fund's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing, industrial processing and utilities industries. These industries can be capital intensive and cyclical in nature, and as a result, customer demand for the Fund's products and services may be affected by economic conditions at both a global or local level. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence the Fund's customers' operating, maintenance and capital spending, and therefore the Fund's sales and results of operations. Although the Fund has attempted to address its exposure to business and industry cyclicity by diversifying its operations by geography, product offerings and customer base, there can be no assurance that the Fund's results of operations or cash flows will not be adversely affected by changes in economic conditions.

Commodity Prices

Many of the Fund's customers are directly and indirectly affected by fluctuations in commodity prices in the forestry, metals and minerals and petroleum and natural gas industries, and as a result the Fund is also indirectly affected by fluctuations in these prices. In particular, each of the Fund's businesses is exposed to fluctuations in the price of oil and natural gas. A downward change in these commodity prices, and particularly in the price of oil and natural gas, could therefore adversely affect the Fund's results of operations or cash flows.

Manufacturer Relationships and Product Access

The Fund seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. The Fund endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, power systems, and hydraulics and process pumps businesses, manufacturer relationships are generally governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in each agreement. Although the Fund enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significantly adverse affect on the Fund's results of operations or cash flow.

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact on the products distributed by the Fund, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation.

Suppliers generally have the ability to unilaterally change distribution terms and conditions or limit supply of product in times of intense market demand. Supplier changes in the area of product pricing and availability can have a negative or positive effect on the Fund's revenue and margins. As well, from time to time suppliers make changes to payment terms for distributors. This may affect the Fund's interest-free payment period or consignment terms, which may have a materially negative or positive impact on working capital balances such as cash, inventory, accounts payable and bank indebtedness.

The ability of the Fund to realize its intention to focus its Industrial Components' business on, among other things, the importation of high quality, lower cost hydraulic components from China or other Asian countries and eastern Europe is dependent on the continued economic and political stability of these regions. There is no assurance that the Fund will be able to import such components at a low cost and/or on a consistent basis.

Quality of Products Distributed

The ability of the Fund to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by the Fund to improve and sustain the quality of their products. The quality and reputation of such products are not within the Fund's control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect the Fund's results of operations or cash flow.

Foreign Exchange Exposure

The Fund's operating results are reported in Canadian dollars. While the majority of the Fund's sales are in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on the Fund's revenue, margins and working capital balances. The Fund mitigates certain exchange rate risks by entering into short-term foreign currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign-currency denominated sales to customers. In addition, the Fund will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. The inability of the Fund to mitigate exchange rate risks or increase prices to offset foreign exchange rate increases, including sudden and volatile changes in the U.S. dollar exchange rate, may have a material adverse effect on the results of operations or financial condition of the Fund.

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

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

Competition

The mobile equipment, industrial components and power systems distribution industries in which the Fund competes are highly competitive. In the Mobile Equipment segment, the Fund primarily competes against regional equipment distributors that tend to handle a dedicated product line, such as those offered by John Deere, Komatsu and Caterpillar. There can be no assurance that the Fund will be able to continue to compete on the basis of product quality and price of product lines, distribution and servicing capabilities as well as proximity of its distribution sites to customers.

In terms of the industrial components sector, the hydraulics branches compete with other distributors of hydraulics components on the basis of quality and price of the product lines, the capacity to provide customengineered solutions and high service standards. The bearings and power transmission product branches compete with a number of distributors representing the same or competing product lines and rely primarily on high service standards, price and value added services to gain market advantage.

The Power Systems business competes with other major diesel engine distributors representing such products as Cummins and Caterpillar. Competition is based primarily on product quality and pricing.

There can be no assurance that the Fund will be able to continue to effectively compete. Increased competitive pressures or the inability of the Fund to maintain the factors which have enhanced its competitive position could adversely affect its results of operations or cash flow.

Key Personnel

The success of the Fund is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all

areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where the Fund competes. The Fund continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. However, there can be no assurance that the Fund will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, may have an adverse impact on the Fund's current operations or future prospects.

Litigation and Product Liability Claims

In the ordinary course of its business, the Fund may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. The Fund carries product liability insurance, and management believes that this insurance is adequate to protect against potential product liability claims. Not all risks, however, are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Fund's assets or operations.

Inventory Obsolescence

The Fund maintains substantial amounts of inventories in all three core businesses. While the Fund believes it has appropriate inventory management systems in place, variations in market demand for the products it sells can result in certain items of inventory becoming obsolete. This could result in a requirement for the Fund to take a material write down of its inventory balance resulting in the Fund not being able to realize expected revenue and cash flows from this inventory, which would negatively affect results from operations or cash flow.

Leverage, Credit Availability and Restrictive Covenants

The Fund has a \$175 million bank credit facility (see Liquidity and Capital Resources section above). While management believes this facility will be adequate to fund normal course working capital requirements, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the facility matures. See Financing Strategies section.

The facility contains restrictive covenants which place restrictions on, among other things, the ability of the Fund to encumber or dispose of its assets, the amount of interest cost incurred and distributions made relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facilities. There can be no assurance that the Fund's assets would be sufficient to repay the facility in full. Lenders providing the Fund's \$175 million bank credit facility have agreed to the conversion of Wajax to a corporation provided the Fund is otherwise in compliance with the terms of its credit facility.

The amount of debt service obligations under the credit facility will be dependant on the level of borrowings and fluctuations in interest rates to the extent the rate is unhedged. As a result, fluctuations in debt servicing costs may have a detrimental effect on future earnings or cash flow.

The Fund also has credit lines available with other financial institutions for purposes of financing inventory and off balance sheet financing of long-term rental fleet. See Liquidity and Capital Resources section. These facilities are not committed lines and their future availability cannot be assured, which may have a negative impact on cash available for distributions and future growth opportunities.

Credit Risk

The Fund extends credit to its customers, generally on an unsecured basis. Although the Fund is not substantially dependant on any one customer and it has a system of credit management in place, the loss of a large receivable would have an adverse effect on the Fund's profitability.

Guaranteed residual value, recourse and buy-back contracts
In some circumstances the Fund makes certain guarantees to finance providers on behalf of its customers. These guarantees can take the form of assuring the resale value of equipment, guaranteeing a portion of customer lease payments, or agreeing to buy back the equipment at a specified price. These contracts are subject to certain conditions being met by the customer, such as maintaining the equipment in good working condition. Historically, the Fund has not incurred substantial losses on these types of contracts, however, there can be no assurance that losses will not be incurred in the future.

Future Warranty Claims

The Fund provides manufacturers' and/or dealer warranties for most of the equipment it sells. In some cases, the warranty claim risk is shared jointly with the equipment manufacturer. Accordingly, the Fund has some liability for warranty claims. There is a risk that a possible product quality erosion or a lack of a skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If the Fund's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on the Fund's business, results of operations or financial condition.

Maintenance and Repair Contracts

The Fund frequently enters into long-term maintenance and repair contracts with its customers, whereby the Fund is obligated to maintain certain fleets of equipment at various negotiated performance levels. The length of these contracts varies significantly, often ranging up to five or more years. The contracts are generally fixed price, although many contracts have additional provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If the Fund has miscalculated

the extent of maintenance work required, or if actual parts and service costs increase beyond the contracted inflationary adjustments, the contract profitability will be adversely affected. In order to mitigate this risk, the Fund closely monitors the contracts for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by the Fund to effectively price and manage these contracts could have a material adverse impact on the Fund's business, results of operations or financial condition.

Insurance

The Fund maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to the Fund at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by the Fund. If the Fund is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations or financial condition could be adversely affected.

Information Systems and Technology

Information systems are an integral part of the Fund's business processes, including marketing of equipment and support services, inventory and logistics, and finance. Some of these systems are integrated with certain suppliers' core processes and systems. Any disruptions to these systems due, for example, to the upgrade or conversion thereof, or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Fund's operating results by limiting the ability to effectively monitor and control the Fund's operations.

Labour Relations

Wajax has approximately 2,291 employees. The Fund is a party to thirteen collective agreements covering a total of approximately 350 employees. Of these, the union representing one agreement covering 4 employees in Thunder Bay, Ontario that expired October 20th, 2009 has applied for conciliation. Of the remaining twelve collective agreements, one that expired in 2009 is in the midst of negotiations, three expire in 2010, six expire in 2011, one expires in 2012 and one expires in 2013. Overall, the Fund believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If the Fund is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on the Fund's businesses, results of operations or financial condition.

Growth Initiatives, Integration of Acquisitions and Project Execution

As part of its long-term strategy, the Fund intends to continue growing its business through a combination of organic growth and strategic acquisitions. The Fund's ability to successfully grow its business will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of the Fund, and divert management away from regular business activities. Any failure of the Fund to manage its acquisition strategy successfully could have a material adverse impact on the Fund's business, results of operations or financial condition.

Strategic Direction and Outlook

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

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

Additional information, including the Fund's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Wajax Income Fund are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

The Fund maintains a system of internal control designed to provide management with reasonable assurance as to the reliability of financial information and the safeguarding of the Fund's assets. The Fund also maintains an internal audit function, which reviews the system of internal control and its application.

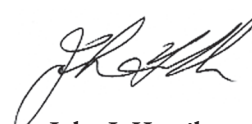
The Audit Committee of the Board of Trustees, consisting solely of outside trustees, meets regularly during the year with management, internal auditors and the external auditors, to review their respective activities and the discharge of their

responsibilities. Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board of Trustees, which reviews and approves the consolidated financial statements.

The Fund's external auditors, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon.



Neil D. Manning
President and
Chief Executive Officer



John J. Hamilton
Senior Vice President
and Chief Financial Officer

Mississauga, Canada
February 26, 2010

Auditors' Report

To the Unitholders of Wajax Income Fund:

We have audited the consolidated balance sheets of Wajax Income Fund as at December 31, 2009 and 2008 and the consolidated statements of earnings and accumulated earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



KPMG LLP
Chartered Accountants,
Licensed Public Accountants
Toronto, Canada
February 26, 2010

Consolidated Balance Sheets

As at December 31 (\$ thousands)	2009	2008
Assets		
Current		
Cash	\$ 9,207	\$ –
Accounts receivable	123,537	162,696
Inventories (Note 5)	176,230	227,843
Income taxes receivable	190	–
Future income taxes (Note 10)	3,191	2,644
Prepaid expenses	7,800	4,966
	320,155	398,149
Non-Current		
Rental equipment (Note 6)	16,370	21,812
Property, plant and equipment (Note 7)	36,164	33,568
Goodwill (Note 8)	66,335	66,335
Intangible assets (Note 9)	7,170	7,889
Deferred pension asset (Note 19)	2,013	1,849
	128,052	131,453
	\$ 448,207	\$ 529,602
Liabilities and Unitholders' Equity		
Current		
Bank indebtedness	\$ –	\$ 4,320
Accounts payable and accrued liabilities	157,532	186,315
Distributions payable to unitholders	2,491	5,972
Income taxes payable	–	2,697
	160,023	199,304
Non-Current		
Future income taxes (Note 10)	1,883	1,486
Other liabilities	841	818
Long-term pension liability (Note 19)	2,995	3,371
Derivative instrument liability (Note 13)	2,643	2,770
Long-term debt (Note 12)	79,461	116,160
	87,823	124,605
Unitholders' Equity		
Trust units (Note 15)	105,307	104,871
Unit-based compensation (Note 16)	5,645	4,666
Accumulated earnings	91,642	98,407
Accumulated other comprehensive loss (Note 4)	(2,233)	(2,251)
	89,409	96,156
	200,361	205,693
	\$ 448,207	\$ 529,602

On behalf of the Board:



Paul E. Gagné
Chairman



Ian A. Bourne
Trustee

Consolidated Statements of Earnings and Accumulated Earnings

For the years ended December 31 (\$ thousands, except per unit data)	2009	2008
Revenue	\$ 973,125	\$ 1,213,475
Cost of sales	739,577	928,674
Gross profit	233,548	284,801
Selling and administrative expenses	196,842	202,449
Earnings before interest and income taxes	36,706	82,352
Interest expense (Note 12)	4,461	4,746
Earnings before income taxes	32,245	77,606
Income tax (recovery) expense (Note 10)	(1,984)	1,784
Net earnings	\$ 34,229	\$ 75,822
Basic earnings per unit (Note 17)	\$ 2.06	\$ 4.57
Diluted earnings per unit (Note 17)	\$ 2.04	\$ 4.53
Accumulated earnings, beginning of year, as reported	\$ 98,407	\$ 91,082
Distributions (Note 14)	(40,994)	(68,497)
Net earnings	34,229	75,822
Accumulated earnings, end of year	\$ 91,642	\$ 98,407

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ thousands)	2009	2008
Net earnings	\$ 34,229	\$ 75,822
Gains on derivative instruments designated as cash flow hedges in prior years reclassified to net income in the current year, net of tax of \$80 (2008 – \$25) (Note 4)	(767)	(234)
Gains (losses) on derivative instruments designated as cash flow hedges, net of tax of \$189 (2008 – \$426) (Note 4)	785	(1,910)
Other comprehensive income (loss)	18	(2,144)
Comprehensive income	\$ 34,247	\$ 73,678

Consolidated Statements of Cash Flows

For the years ended December 31 (\$ thousands)	2009	2008
Operating Activities		
Net earnings	\$ 34,229	\$ 75,822
Items not affecting cash flow:		
Amortization		
Rental equipment	4,290	5,002
Property, plant and equipment	4,407	3,981
Intangible assets	719	470
Deferred financing costs	301	281
Unit compensation expense (Note 16)	1,415	1,759
Long-term portion of mid-term incentive plan expense	23	(898)
Non-cash rental expense	137	246
Future income taxes (Note 10)	(258)	626
Pension expense, net of payments	(202)	172
Cash flows from operating activities before changes in non-cash working capital	45,061	87,461
Changes in non-cash working capital:		
Accounts receivable	39,159	(10,406)
Inventories	53,126	(12,275)
Prepaid expenses	(2,834)	(167)
Accounts payable and accrued liabilities	(29,259)	(7,179)
Income taxes payable	(2,887)	1,240
	57,305	(28,787)
Cash flows from operating activities	102,366	58,674
Investing Activities		
Rental equipment additions	(2,742)	(8,183)
Proceeds on disposal of rental equipment	2,381	1,190
Property, plant and equipment additions	(7,119)	(7,581)
Proceeds on disposal of property, plant and equipment	116	147
Acquisition of businesses (Note 18)	–	(27,874)
Cash flows used in investing activities	(7,364)	(42,301)
Cash flows before financing activities	95,002	16,373
Financing Activities		
(Decrease) increase in long-term bank debt	(37,000)	62,000
Decrease in equipment notes payable (Note 11)	–	(70)
Distributions paid (Note 14)	(44,475)	(75,793)
Cash flows used in financing activities	(81,475)	(13,863)
Net change in cash and cash equivalents	13,527	2,510
Bank Indebtedness – beginning of year	(4,320)	(6,830)
Cash (bank indebtedness) – end of year	\$ 9,207	\$ (4,320)
Cash flows provided by operating activities includes the following:		
Interest paid	\$ 3,934	\$ 4,198
Income taxes paid (received)	\$ 1,016	\$ (16)
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 1,513	\$ 4,198

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008 (amounts in thousands of dollars, except unit and per unit data)

1. Structure of the Trust And Fund Profile

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.

The Fund’s core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 110 branches across Canada. The Fund is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2. Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these Consolidated Financial Statements are as follows:

Principles of Consolidation

These Consolidated Financial Statements include the accounts of Wajax Income Fund and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Measurement Uncertainty

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. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized as it is earned in accordance with the following:

- Revenue from the sale of equipment and parts is recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from equipment leases and rentals is recognized on a straight-line basis over the term of the lease or rental.

- Revenue from the sale of internally-manufactured or assembled products is recorded when goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the offering of engineering and technical services to customers is recognized upon performance of contracted-upon services with the customer.
- Revenue for separately priced extended warranty or product maintenance contracts is recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. If insufficient historical evidence exists to support this pattern, then revenue is recognized on a straight-line basis over the term of the contract.

Provision is made for expected returns, collection losses and warranty costs based on past performance, and for estimated costs to fulfill contractual obligations and other sales-related contingencies depending on the terms of each individual contract.

Derivative 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.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Fund also assesses, at the hedge’s inception as well as at the end of each quarter on a prospective basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting has been applied when the hedge is effective.

The Fund purchases foreign exchange forward contracts to fix the cost of certain inbound inventory and the related accounts payable and to hedge certain anticipated foreign currency denominated sales to customers and the related accounts receivable.

All derivative instruments, including embedded derivatives, are recorded in the consolidated balance sheets at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income with any ineffectiveness charged to earnings.

Foreign Currency Transactions and Balances

Foreign currency transactions are translated into domestic currency at exchange rates prevailing at the time the transactions occur. Monetary assets and liabilities denominated in foreign currencies, such as bank indebtedness, accounts receivable and accounts payable, are translated into domestic currency at the rate of exchange in effect at the balance sheet date. Exchange gains and losses are included in the statement of earnings.

Inventories

Inventories are valued at the lower of cost and estimated net realizable value.

Cost of equipment and parts include purchase cost, conversion cost and cost incurred in bringing inventory to its present location and condition.

Cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity.

Cost of inventories includes the associated gains or losses transferred from accumulated comprehensive income relating to forward contracts hedging the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Rental Equipment

Rental equipment assets are recorded at cost and amortized using the declining balance method at a rate of 20% per year.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	5%
Equipment and vehicles	declining balance	20% – 30%
Information systems	straight-line	3 – 7 years
Furniture and fixtures	declining balance	20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Impairment of Long Lived Assets

Property, plant and equipment and rental equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Goodwill and Intangible Assets

Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate goodwill and indefinite life intangible assets might be impaired. To test for impairment, the Fund compares each reporting unit's carrying value to its fair value. Fair value is determined by a calculation of discounted future cash flows and by reference to market valuations, where available. Any impairment in the current year would be recorded as a charge against current earnings.

Finite life intangible assets are amortized on a straight-line basis over their useful lives. Finite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. Impairment of a finite life intangible asset would be recognized in an amount equal to the difference between the carrying value and the fair value of the related finite life intangible asset.

Financing Costs

Transaction costs related to the acquisition or amendment of long-term debt are deferred and amortized to interest expense using an effective yield method. Deferred financing costs are included in the carrying amount of the related debt.

Unit-based Compensation Plans

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 for Senior Executives ("MTIP").

Under the UOP, DUP and the TDUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Income Fund units. The rights are settled when the participant is no longer employed by the Fund or one of its subsidiary entities or no longer sits on its board. Compensation expense is based upon the fair value of the rights at date of grant and charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity.

The MTIP, which is settled in cash, consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. A portion of the compensation expense for the MTIP varies with the price of Fund units and is recognized over the vesting period with an offsetting adjustment to accrued liabilities.

Earnings Per Unit

The treasury stock method is used to calculate diluted earnings per unit.

Employees' Pension Plans

The Fund has defined contribution pension plans for most of its employees. The cost of the defined contribution plans is recognized based on the contributions required to be made each period.

The Fund also has defined benefit plans covering some of its employees. The benefits are based on years of service and the employees' earnings. Defined benefit plan obligations are accrued as the employees render the services necessary to earn the pension benefits. The Fund has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service for defined benefit plans with benefits based on final average earnings and the unit credit method for other defined benefit plans and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service life of active employees.
- Unrecognized net transition assets and prior service costs are amortized over the expected average remaining service life of active employees.
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Income Taxes

Income taxes are accounted for using the liability method, whereby future income tax assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted income tax rates for the years in which tax and accounting basis differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rate is recognized in the period during which the change is considered substantively enacted. Valuation allowances are established when necessary to reduce future income tax assets to the amounts more likely than not to be realized.

3. New Standards Issued but Not 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.

4. Accumulated Other Comprehensive Income

During 2009, \$847 (\$767 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods (2008 – \$259 (\$234 – net of tax)) were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at December 31, 2009 resulted in gains of \$974 (\$785 – net of tax) being recorded in other comprehensive income (2008 – loss of \$2,336 (\$1,910 – net of tax)).

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

	2009	2008
Balance beginning of year	\$ (2,251)	\$ (107)
(Gains) on derivatives designated as cash flow hedges in prior year reclassified to net earnings in the current year, net of tax of \$80 (2008 – \$25)	(767)	(234)
Gains (losses) on derivatives designated as cash flow hedges, net of tax of \$189 (2008 – \$426)	785	(1,910)
Accumulated other comprehensive loss	\$ (2,233)	\$ (2,251)

5. Inventories

	2009	2008
Equipment	\$ 74,623	\$ 100,594
Parts	88,150	111,323
Work-in-process	13,457	15,926
Total inventories	\$ 176,230	\$ 227,843

All amounts shown are net of applicable reserves.

The Fund recognized \$723,150 of inventory as an expense which is included in cost of sales during the year (2008 – \$909,203). During the year \$2,980 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2008 – \$2,956).

All of the Fund's inventory is pledged as security for the bank credit facility (Note 12).

6. Rental Equipment

	Cost	Accumulated Amortization	Net Book Value
December 31, 2009	\$ 31,548	\$ 15,178	\$ 16,370
December 31, 2008	\$ 37,306	\$ 15,494	\$ 21,812

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value
Land and buildings	\$ 32,611	\$ 12,495	\$ 20,116
Equipment and vehicles	34,046	25,595	8,451
Information systems	22,427	19,200	3,227
Furniture and fixtures	9,070	7,201	1,869
Leasehold improvements	10,041	7,540	2,501
December 31, 2009	\$ 108,195	\$ 72,031	\$ 36,164
Land and buildings	\$ 29,459	\$ 11,902	\$ 17,557
Equipment and vehicles	32,548	23,683	8,865
Information systems	20,846	17,911	2,935
Furniture and fixtures	8,486	6,793	1,693
Leasehold improvements	9,397	6,879	2,518
December 31, 2008	\$ 100,736	\$ 67,168	\$ 33,568

8. Goodwill

	2009	2008
Goodwill	\$ 66,335	\$ 66,335

During the year and in 2008, the Fund performed impairment tests of its goodwill and concluded that no impairment existed.

9. Intangible Assets

	2009	2008
Intangible assets – indefinite life		
Product distribution rights	4,900	4,900
Intangible assets – finite life (2 to 7 years)		
Customer lists and non-competition agreements, net of accumulated amortization of \$2,032 (2008 – \$1,313)	2,270	2,989
Total other assets	\$ 7,170	\$ 7,889

During the year and in 2008, the Fund performed impairment tests of its intangible assets with an indefinite life and concluded that no impairment existed.

10. Income Taxes

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 taxable income earned by the Fund is distributed to its unitholders. Accordingly, no

provision for income taxes is required on taxable 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 where its equity capital grows beyond certain dollar limits measured by reference to the Fund’s market capitalization on October 31, 2006. The Fund has not exceeded its growth limits at December 31, 2009. It is the Fund’s intention to seek unitholder approval to reorganize the Fund into a corporate structure effective January 1, 2011.

The Fund has recognized a future income tax liability for the temporary differences between the carrying amount and tax values of assets and liabilities in respect of the proportion of the Fund’s income taxed directly to the unitholders that are expected to reverse in or after 2011. No future tax asset or liability has been recorded for such temporary differences that are expected to reverse before 2011. The tax basis of the assets and liabilities of the Fund related to such temporary differences expected to reverse before 2011 exceed the financial statement carrying amounts by approximately \$9,349 (2008 – \$14,982), reflecting future tax deductions in excess of future taxable amounts.

Future income taxes are classified as follows:

	2009	2008
Current future income tax asset	\$ 3,191	\$ 2,644
Non-current future income tax liability	(1,883)	(1,486)
Net future income tax asset	\$ 1,308	\$ 1,158

The future income tax asset relates to book and tax basis differences for assets and liabilities of the Fund and is comprised of the following amounts:

	2009	2008
Accrued liabilities not currently deductible	\$ 3,714	\$ 3,160
Property, plant and equipment	(1,308)	(834)
Deductible goodwill and intangible assets	(1,910)	(1,780)
Deductible deferred financing costs	(46)	12
Derivative instrument liability not currently deductible	410	519
Debt prepayment penalty not currently deductible	–	81
Income tax losses available for carryforward	446	–
Net future income tax asset	\$ 1,308	\$ 1,158

The components of the provision for income taxes are as follows:

	2009	2008
Current	\$ (1,726)	\$ 1,158
Future	(258)	626
Income tax (recovery) expense	\$ (1,984)	\$ 1,784

The provision for income taxes on earnings is comprised as follows:

	2009	2008
Combined statutory income tax rate	30.7%	31.2%
Expected income tax expense at statutory rates	\$ 9,899	\$ 24,213
Income of the Fund taxed directly to unitholders	(11,727)	(23,409)
Non-deductible expenses	507	552
Future tax related to changes in tax law and rates	(556)	432
Other	(107)	(4)
Income tax expense	\$ (1,984)	\$ 1,784

11. Equipment Notes Payable

The Fund has a \$15,000 demand wholesale financing facility. The notes payable bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, are secured by the applicable equipment and are due in full when the applicable equipment is sold.

At December 31, 2009 and 2008 there were no amounts outstanding under the facility.

Interest on the equipment notes payable amounted to \$280 (2008 – \$1).

12. Long-Term Debt

The \$175,000 fully secured bank credit facility consists of a \$30,000 non-revolving term portion and a \$145,000 revolving term portion with a maturity date of December 31, 2011. Borrowing capacity under the bank credit facility is dependent upon the level of the Fund's inventories on hand and the outstanding trade accounts receivable. At December 31, 2009 borrowing capacity under the bank credit facility was equal to \$172,800. In addition, the bank credit facility contains restrictive covenants including limitations on the payment of cash distributions and the maintenance of certain financial ratios, all of which were met as at December 31, 2009. The Fund will be restricted from the payment of monthly cash distributions in the event the Fund's ratio of debt to earnings before interest, taxes, depreciation and amortization (the "Leverage Ratio") exceeds three times. In addition, monthly cash distributions in each fiscal quarter may not exceed 115% of the distributable cash flow (as defined in the credit facility) for the trailing four fiscal quarters. Borrowings under the facility bear floating rates of interest at applicable margins over Canadian dollars bankers' acceptance

yields, U.S. dollar LIBOR rates or prime rates. The Fund entered into interest-rate swap hedge contracts with two of its lenders, such that in total the interest rate on the \$30,000 non-revolving term portion of the credit facility was fixed at effectively 3.47% plus applicable margins until June 7, 2008 and 4.6% plus applicable margins from June 7, 2008 to December 31, 2011. Margins depend on the Fund's Leverage Ratio at the time of borrowing and range between 0.75% and 2.50% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and nil% and 1.5% for prime rate borrowings.

	2009	2008
Bank credit facility, repayable December 31, 2011		
Non-revolving term portion	\$ 30,000	\$ 30,000
Revolving term portion	50,000	87,000
	80,000	117,000
Deferred financing costs, net of accumulated amortization of \$2,028 (2008 – \$1,727)	(539)	(840)
Total long-term debt	\$ 79,461	\$ 116,160

The Fund had \$4,712 (2008 – \$4,185) letters of credit outstanding at the end of the year.

Interest on long-term debt amounted to \$4,159 in 2009 (2008 – \$4,721).

13. Financial Instruments

The Fund categorizes its financial assets and financial liabilities as follows:

	2009	2008
Held for trading:		
Cash (bank indebtedness)	\$ 9,207	\$ (4,320)
Loans and receivables:		
Accounts receivable	123,537	162,696
Other financial liabilities:		
Accounts payable and accrued liabilities	(157,532)	(186,315)
Distributions payable to unitholders	(2,491)	(5,972)
Other liabilities	(841)	(818)
Long-term debt	(79,461)	(116,160)
Derivatives designated as effective hedges:		
Derivative instrument liability	(2,643)	(2,770)

The Fund measures financial instruments held for trading at fair value with subsequent changes in fair value being charged to earnings. Loans and receivables and other financial liabilities are measured at amortized cost. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. Cash and bank indebtedness were designated as held for trading upon initial recognition. 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.

Credit Risk

The Fund is exposed to non-performance by counterparties to interest rate swaps and short-term currency forward contracts. These counterparties are large financial institutions with "Stable" outlook and high short-term and long-term credit ratings from Standard and Poor's. To date, no such counterparty has failed to meet its financial obligations to the Fund. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

The Fund is also exposed to credit risk with respect to its accounts receivable. This risk is somewhat minimized by the Fund's large customer base which covers many business sectors across Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund's accounts receivable are made up of trade accounts receivable from customers and other accounts receivable, generally from suppliers for warranty and rebates. The aging of the trade accounts receivable is as follows:

	2009	2008
Current	\$ 56,618	\$ 91,332
Less than 60 days overdue	43,436	48,756
More than 60 days overdue	4,840	5,887
Total trade accounts receivable	\$ 104,894	\$ 145,975

The carrying amounts of accounts receivable represent the maximum credit exposure.

The Fund maintains provisions for possible credit losses by performing an analysis of specific accounts. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

	2009	2008
Opening balance	\$ 2,061	\$ 2,388
Increase (decrease) during the period	56	(327)
Closing balance	\$ 2,117	\$ 2,061

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. The contractual maturity of long term debt is December 31, 2011. At December 31, 2009 the Fund had borrowed \$80,000 and issued \$4,712 of letters of credit for a total utilization of \$84,712 of its \$175,000 bank credit facility and had not utilized any of its \$15,000 equipment financing facility.

The Fund's \$175,000 bank credit facility along with \$15,000 of capacity permitted in addition to the credit facility should be sufficient to meet the Fund's short-term normal course working capital, maintenance capital and growth capital requirements.

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

Financial Risk Management Policy

The Fund has in place a financial risk management policy that addresses the Fund's financial exposure to currency risk and interest rate risk. The Fund's tolerance to interest rate risk decreases as the percentage of debt to tangible net worth increases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the percentage of debt to tangible net worth increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments. Derivative instruments are used only to hedge risks as determined within these policy guidelines.

Currency Risk

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 customers along with the associated receivables as part of its normal course of business. The impact of a change in foreign currency relative to the Canadian dollar on the Fund's financial statements of unhedged foreign currency-denominated sales to customers along with the associated receivables and purchases from vendors along with the associated payables would be insignificant. The Fund's commitments to buy and sell foreign currencies are summarized as follows:

		Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts	USD	20,484	316	\$ 1.0665	January to November 2010
Sales contracts	USD	34	(1)	\$ 1.0643	April to May 2010

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

Interest risk

The Fund's borrowing costs are impacted by changes in interest rates. In order to manage this risk to an acceptable level, the Fund may use derivative instruments such as interest rate swap agreements. As at December 31, 2009 the Fund had entered into the following interest rate swaps with its lenders that have effectively fixed the interest rate on \$80,000 or 100% of the Fund's total 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 \$30,000 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 December 18, 2008, the Fund entered into a delayed start interest rate swap with two of its lenders such that in total the interest rate on \$50,000 of the revolving term portion of the bank credit facility is effectively fixed at 1.92% plus applicable margins. The delayed interest rate swap commenced on January 23, 2009 until expiry of the facility on December 31, 2011.
- Margins on the debt associated with the interest rate swaps depend on the Fund's Leverage Ratio and range between 0.75% and 2.5%.

14. Distributions Paid

The Fund makes monthly cash distributions and 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.

Although the Fund intends to make distributions of its available cash, such distributions are affected by numerous factors, including the Fund's financial performance, debt covenants and obligations, working capital requirements and future capital requirements.

15. Trust Units

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

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

	Number of Units	Amount
Balance December 31, 2007 and 2008	16,585,206	\$104,871
Unit rights plans exercised	18,217	436
Balance December 31, 2009	16,603,423	\$105,307

16. Unit-Based Compensation Plans

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 for Senior Executives ("MTIP").

a) Unit Rights Plans

Under the UOP, DUP and the TDUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Income Fund units. The rights are settled when the participant is no longer employed by the Fund or one of its subsidiary entities or no longer sits on its board. The aggregate number of units issuable to satisfy entitlements under these plans may not exceed 1,050,000 units. Compensation expense is based upon the fair value of the rights at the date of grant and is charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity. The Fund recorded compensation cost of \$1,415 (2008 – \$1,759) for the year in respect of these plans.

	2009	2008
	Number of Units	Number of Units
Unit Ownership Plan		
Outstanding at beginning of year	109,559	83,229
Granted	21,917	26,330
Exercised	(5,351)	–
Outstanding at end of year	126,125	109,559
Deferred Unit Program		
Outstanding at beginning of year	18,722	–
Granted	3,222	18,722
Outstanding at end of year	21,944	18,722
Trustees' Deferred Unit Plan		
Outstanding at beginning of year	83,780	53,068
Granted	46,604	30,712
Exercised	(12,866)	–
Outstanding at end of year	117,518	83,780

b) Mid-Term Incentive Plan for Senior Executives (“MTIP”)

The MTIP, which is settled in cash, consists of an annual grant that vests over three years and is based upon time and performance vesting criteria, a portion of which is determined by the price of

Fund units. Compensation expense varies with the price of Fund units and is recognized over the 3 year vesting period. The Fund recorded compensation cost of \$429 (2008 – \$339) for the year in respect of the unit-based portion of the MTIP.

17. Earnings Per Unit

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

	2009	2008
Numerator for basic and diluted earnings per unit:		
net earnings	\$ 34,229	\$ 75,822
Denominator for basic earnings per unit – weighted average units	16,596,853	16,585,206
Denominator for diluted earnings per unit:		
weighted average units	16,596,853	16,585,206
effect of dilutive unit rights	208,998	160,124
Denominator for diluted earnings per unit	16,805,852	16,745,330
Basic earnings per unit	\$ 2.06	\$ 4.57
Diluted earnings per unit	\$ 2.04	\$ 4.53

No unit rights were excluded from the above calculations as none were anti-dilutive.

18. Acquisitions

On March 17, 2008 the Fund’s Mobile Equipment segment acquired certain assets of Dan Greer Enterprises Limited (“Greer”), the dealer of JCB construction equipment in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$1,824.

On September 5, 2008 the Fund’s Industrial Components segment acquired certain assets of Weir Process Equipment, a division of Weir Canada Inc. for \$25,727 subject to post-closing adjustments. Weir, which was previously known as Peacock, is a leading Canadian distributor of high performance industrial, instrumentation and process control equipment to the oil & gas, power generation, mining and infrastructure sectors across Canada.

The results of operations from the acquisitions have been included in the consolidated financial statements of the Fund as of the effective date.

The following is a summary of the purchase price allocations:

	2008
Working capital	\$ 9,771
Property, plant and equipment	647
Goodwill	11,306
Product distribution rights	3,400
Customer lists	2,750
Purchase price	\$ 27,874

19. Employees’ Pension Plans

The Fund sponsors five pension plans: the Wajax Limited Pension Plan and the Wajax Pension Plan for Salaried Midwest Employees which, except for a small group of employees collecting long-term disability benefits and a small group of inactive members, have been converted to defined contribution (“DC”) plans, the Wajax Pension Plan for Hourly Midwest Employees which is also a DC plan, and two defined benefit plans: the Pension Plan for Executive Employees of Wajax Limited and the Wajax Limited Supplementary Executive Retirement Plan. The Fund also contributes to several union sponsored multi-employer plans for a small number of employees which are accounted for as DC plans.

The Fund uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuations of the pension plans for funding purposes were as of January 1, 2007, January 1, 2009, and June 1, 2009 and the next required valuations will be as of January 1, 2010, January 1, 2012 and June 1, 2012. The following significant actuarial assumptions were employed to determine the periodic pension income and the accrued benefit obligations:

	2009	2008
Expected long-term rate of return on plan assets	7.0%	7.0%
Discount rate - at beginning of year (to determine plan expenses)	6.0% – 6.5%	5.25%
Discount rate - at end of year (to determine accrued benefit obligation)	5.5% – 5.75%	6.0% – 6.5%
Rate of compensation increase	3.0%	3.5%
Estimated average remaining service life	8 –17 years	5 –17 years

Total cash payments

Total cash payments for employee future benefits for 2009, consisting of cash contributed by the Fund to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its DC plans was \$5,930 (2008 – \$5,482).

The Fund's net plan expense is as follows:

	2009	2008
Defined contribution plans		
Current service cost	\$ 4,728	\$ 4,953
Defined benefit plans		
Current service cost	377	441
Interest cost	896	809
Actual (return) loss on plan assets	(1,478)	1,526
Actuarial loss (gain)	962	(1,634)
Difference between expected and actual return on plan assets	839	(2,281)
Difference between actuarial loss (gain) recognized for the year and actual actuarial loss (gain)	(629)	1,966
Amortization of transitional asset	(111)	(111)
Administration expenses	80	80
Net plan expense	\$ 5,664	\$ 5,749

Information about the Fund's defined benefit pension plans, in aggregate, is as follows:

Accrued benefit obligation	2009	2008
Accrued benefit obligation, beginning of year	\$ 14,182	\$ 15,108
Current service cost	377	441
Participant contributions	40	44
Interest cost	896	809
Actuarial loss (gain)	962	(1,634)
Benefits paid	(755)	(586)
Accrued benefit obligation, end of year	\$ 15,702	\$ 14,182

Plan assets	2009	2008
Fair value of plan assets, beginning of year	\$ 9,087	\$ 10,706
Actual (loss) return on plan assets	1,478	(1,526)
Participant contributions	40	44
Employer contributions	1,202	529
Benefits paid	(755)	(586)
Administration expenses	(80)	(80)
Fair value of plan assets, end of year	\$ 10,972	\$ 9,087
	2009	2008
Plan assets, end of year	\$ 10,972	\$ 9,087
Accrued benefit obligation, end of year	(15,702)	(14,182)
Funded status – plan deficit	\$ (4,730)	\$ (5,095)
Unamortized net actuarial losses	3,556	3,766
Unamortized net transitional asset	(173)	(284)
Accrued benefit liability	\$ (1,347)	\$ (1,613)

The accrued benefit liability is included in the Fund's balance sheet as follows:

	2009	2008
Deferred pension asset	\$ 2,013	\$ 1,849
Accounts payable and accrued liabilities	(365)	(91)
Long – term pension liability	(2,995)	(3,371)
Accrued benefit liability	\$ (1,347)	\$ (1,613)

Accrued benefit obligation includes a benefit obligation of \$3,456 (2008 – \$3,102) related to the Wajax Limited Supplemental Executive Retirement Plan that is not funded. This obligation is secured by a letter of credit of \$3,915 (2008 – \$3,400). Plan assets for defined benefit plans are 100% invested in balanced pooled funds. Plan assets for the DC plans are invested according to the directions of the plan members.

20. Capital Management

Objective

The Fund defines its capital as the total of its unitholders' equity and interest bearing debt. The Fund's objective when managing capital is to have a capital structure and capacity to support the Fund's operations and strategic objectives set by the Board of Trustees.

Management of Capital

The Fund's capital structure is managed such that it maintains a relatively low Leverage Ratio as the Fund distributes a significant portion of its cash flow from operations before changes in working capital.

The Fund's level of interest bearing debt is determined by a combination of the Fund's cash flow required to meet its strategic objectives and the value of its tangible assets.

The amount of the Fund's unitholders' equity generally remains unchanged as income from the business is expected to equal the amount of distributions paid to unitholders over time.

Although management currently believes the Fund has adequate debt capacity, the Fund may have to access the equity or debt markets, or temporarily reduce distributions to accommodate any shortfalls in the Fund's credit facilities or significant growth capital requirements.

There were no changes in the Fund's approach to capital management during the period.

As well, the Fund will continue to review its capital structure in the context of the limitations on growth in equity imposed under tax legislation enacted on June 22, 2007 (note 10). The Fund has not exceeded its growth limits at December 31, 2009.

Restrictions on Capital

The Fund's interest bearing debt includes a \$175,000 bank credit facility which expires December 31, 2011 and a \$15,000 demand equipment financing facility. The bank credit facility contains the following covenants:

- Borrowing capacity is dependent upon the level of the Fund's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). As at December 31, 2009 borrowing capacity under the bank credit facility was equal to \$172,800.
- The Fund's ratio of EBITDA to interest expense (the "Interest Coverage Ratio") must not be lower than four times. As at December 31, 2009 the Fund's Interest Coverage Ratio was 10.66 times.
- The Fund will be restricted from the payment of monthly cash distributions in the event the Fund's Leverage Ratio exceeds three times. In addition, monthly cash distributions in each fiscal quarter may not exceed 115% of the distributable cash flow (as defined in the credit facility) for the trailing four fiscal quarters. As at December 31, 2009 the Fund's Leverage Ratio was 1.78 times and there were no restrictions on the payment of monthly cash distributions.

21. Commitments and Contingencies

Operating leases

The Fund leases land, building and equipment under a number of operating leases with various terms and renewal options.

The annual payments required under the lease agreements over the next five years and thereafter are as follows:

2010	\$ 17,860
2011	14,463
2012	11,577
2013	8,406
2014	6,030
Thereafter	26,769
	<hr/> \$ 85,105 <hr/>

Guaranteed Residual Value and Recourse Contracts

The Fund has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") and guaranteed a portion of a customer's lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2009, the Fund had guaranteed \$7,126 (2008 – \$6,694) of contracts with commitments arising between 2010 and 2014. The commitments made by the Fund for the guaranteed residual value contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. The Fund has not recorded a provision as financial exposure is not expected to result from such commitments (2008 – \$200).

Contingencies

In the ordinary course of business, the Fund is contingently liable for litigation in varying amounts and for which provisions have been made in these consolidated financial statements when the liability is determined to be likely and the amount can be reasonably estimated. These liabilities could arise from litigation, environmental matters or other sources. It is not possible to determine the amounts that may ultimately be assessed against the Fund, but management believes that any such amounts would not have a material impact on the business or financial position of the Fund.

22. Segmented Information

The Fund operates through a network of 110 branches in Canada. The Fund's three core businesses are: i) the distribution, modification and servicing of mobile equipment; ii) the distribution, servicing and assembly of industrial components; and iii) the distribution and servicing of power systems.

2009	Mobile Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 476,864	\$ 279,620	\$ 220,086	\$ (3,445)	\$ 973,125
Segment earnings before interest and income taxes	\$ 30,472	\$ 4,721	8,805	\$ –	\$ 43,998
Corporate costs and eliminations				(7,292)	(7,292)
Earnings before interest and income taxes					\$ 36,706
Interest expense					4,461
Income tax recovery					(1,984)
Net earnings					\$ 34,229
Segment assets excluding goodwill and other intangible assets	\$ 178,117	\$ 98,370	\$ 84,280	\$ –	\$ 360,767
Goodwill	21,341	41,050	3,944	–	66,335
Intangible assets	231	5,439	1,500	–	7,170
Corporate and other assets				13,935	13,935
Total assets	\$ 199,689	\$ 144,859	\$ 89,724	\$ 13,935	\$ 448,207
Asset additions					
Rental equipment	\$ 2,245	\$ –	\$ 497	\$ –	\$ 2,742
Property, plant and equipment	3,572	2,000	1,409	138	7,119
	\$ 5,817	\$ 2,000	\$ 1,906	\$ 138	\$ 9,861
Asset amortization					
Rental equipment	\$ 3,945	\$ –	\$ 345	\$ –	\$ 4,290
Property, plant and equipment	1,313	1,413	1,476	205	4,407
Intangible assets	142	577	–	–	719
Deferred financing	–	–	–	301	301
	\$ 5,400	\$ 1,990	\$ 1,821	\$ 506	\$ 9,717

2008	Mobile Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 635,281	\$ 322,778	\$ 258,431	\$ (3,015)	\$1,213,475
Segment earnings before interest and income taxes	\$ 49,970	\$ 20,219	21,723	\$ –	\$ 91,912
Corporate costs and eliminations				(9,560)	(9,560)
Earnings before interest and income taxes					\$ 82,352
Interest expense					4,746
Income tax expense					1,784
Net earnings					\$ 75,822
Segment assets excluding goodwill and other intangible assets	\$ 223,012	\$ 124,337	\$ 103,305	\$ –	\$ 450,654
Goodwill	21,341	41,050	3,944	–	66,335
Intangible assets	373	6,016	1,500	–	7,889
Corporate and other assets				4,724	4,724
Total assets	\$ 244,726	\$ 171,403	\$ 108,749	\$ 4,724	\$ 529,602
Asset additions					
Rental equipment	\$ 7,771	\$ –	\$ 412	\$ –	\$ 8,183
Property, plant and equipment	2,783	3,355	1,946	144	8,228
Goodwill	–	11,306	–	–	11,306
Intangible assets	450	5,700	–	–	6,150
	\$ 11,004	\$ 20,361	\$ 2,358	\$ 144	\$ 33,867
Asset amortization					
Rental equipment	\$ 4,639	\$ –	\$ 363	\$ –	\$ 5,002
Property, plant and equipment	1,343	1,057	1,434	148	3,982
Intangible assets	160	310	–	–	470
Deferred financing	–	–	–	281	281
	\$ 6,142	\$ 1,367	\$ 1,797	\$ 429	\$ 9,735

Segment assets do not include assets associated with the corporate office, financing or income taxes. Additions to corporate assets, and amortization of these assets, are included in segment eliminations and unallocated amounts.

23. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2009 presentation.

Summary of Quarterly Data – Unaudited

(Dollars in millions, except per unit data)	2009				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 255.9	\$ 239.6	\$ 226.7	\$ 250.9	\$ 285.7	\$ 311.2	\$ 299.2	\$ 317.3
Net earnings	9.3	9.8	6.8	8.3	18.0	20.0	18.4	19.4
Earnings per unit - Basic	\$ 0.56	\$ 0.59	\$ 0.41	\$ 0.50	\$ 1.09	\$ 1.20	\$ 1.11	\$ 1.17
Earnings per unit - Diluted	0.55	0.59	0.40	0.50	1.08	1.19	1.10	1.15

Eleven Year Summary – Unaudited

For The Years Ended December 31 (Dollars in millions, except per unit data)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Operating Results											
Revenue*	\$ 973.1	\$ 1,213.5	\$ 1,192.3	\$ 1,206.5	\$ 1,049.4	\$ 871.4	\$ 884.0	\$ 908.8	\$ 1,047.6	\$ 1,147.5	\$ 1,038.4
Net earnings (loss)*	34.2	75.8	72.0	71.5	35.6	17.6	9.6	(25.8)	8.7	(9.7)	4.0
Interest expense	4.5	4.7	4.9	4.5	4.6	7.5	10.9	15.8	18.2	20.3	20.2
Cash flows before changes in non-cash working capital*	45.1	87.5	85.0	85.1	46.0	29.5	29.7	9.5	26.2	28.2	28.3
Property, plant and equipment – net	7.0	7.4	4.0	8.3	4.7	3.5	1.4	7.4	16.9	16.3	12.7
Rental equipment expenditures – net	0.4	7.0	8.6	7.9	6.2	5.4	6.6	1.2	0.8	3.3	2.8
Amortization	9.7	9.7	9.9	10.0	10.0	10.3	11.9	12.3	15.2	16.2	21.0
Per Unit											
Net earnings (loss) – Basic*	\$ 2.06	\$ 4.57	\$ 4.34	\$ 4.31	\$ 2.19	\$ 1.12	\$ 0.61	\$ (1.64)	\$ 0.55	\$ (0.62)	\$ 0.25
Dividends paid	–	–	–	–	0.14	0.16	–	–	–	–	–
Distributions paid	2.68	4.13	4.36	4.43	1.89	–	–	–	–	–	–
Equity	12.07	12.40	11.94	11.89	11.88	12.39	11.38	10.83	13.05	12.49	13.11
Financial Position											
Working capital*	\$ 160.1	\$ 198.8	\$ 147.4	\$ 147.8	\$ 129.8	\$ 153.0	\$ 157.1	\$ 155.0	\$ 241.6	\$ 264.6	\$ 278.9
Rental equipment	16.4	21.8	21.7	18.9	17.2	16.4	16.2	14.5	11.3	14.5	28.2
Property, plant and equipment – net	36.2	33.6	29.5	33.3	29.0	28.8	31.9	37.4	64.2	55.1	46.5
Long-term debt excluding current portion	79.5	116.2	53.9	59.0	33.4	70.9	79.8	98.4	176.4	223.2	226.0
Unitholders' equity	200.4	205.7	198.1	197.2	197.1	195.0	178.7	170.0	204.8	196.1	205.8
Total assets*	448.2	529.6	468.2	500.6	437.9	418.1	409.7	442.0	554.5	623.2	617.5
Other Information											
Number of employees	2,291	2,662	2,551	2,566	2,387	2,357	2,279	2,308	2,601	2,804	2,692
Trust units outstanding (thousands)	16,603	16,585	16,585	16,585	16,582	15,739	15,697	15,697	15,697	15,697	15,697
Price range of trust units											
High	\$ 23.40	\$ 35.75	\$ 37.95	\$ 47.00	\$ 32.45	\$ 14.90	\$ 8.25	\$ 7.25	\$ 6.00	\$ 5.75	\$ 9.00
Low	10.95	14.00	24.80	24.60	13.00	7.70	3.10	3.76	4.00	3.25	4.60

* 2006, 2005 and 2004 exclude discontinued operations

Corporate Information

Trustees and Directors*

Paul E. Gagné

Chairman, Wajax Income Fund
Corporate Director

Edward M. Barrett^{1,2}

Chairman and Co-Chief Executive Officer,
Barrett Corporation

Ian A. Bourne¹

Chairman, Ballard Power Systems, Inc.

Douglas A. Carty^{1,2}

Corporate Director

Robert P. Dexter, Q.C.^{2,3}

Chairman and Chief Executive Officer,
Maritime Travel Inc.

Ivan E. H. Duvar²

Corporate Director

John C. Eby^{1,3}

Corporate Director

JD Hole^{2,3}

Corporate Director

Neil D. Manning

President and Chief Executive Officer,
Wajax Income Fund

Valerie A.A. Nielsen^{1,3}

Corporate Director

Frank C. Sobey³

Chairman, Crombie Real Estate
Investment Trust

Alexander S. Taylor^{1,2}

President and Chief Executive Officer,
ABB Inc., Canada

1 Member of the Audit Committee of the Fund

2 Member of the Human Resources and

Compensation Committee of Wajax Limited

3 Member of the Governance Committee of the Fund

* The Boards of Wajax Income Fund and Wajax Limited consist of the same individuals except for Neil D. Manning who is not a Trustee of the Fund.

Honourary Director

H. Gordon MacNeill

Officers (Wajax Limited)

Paul E. Gagné

Chairman

Neil D. Manning

President and Chief Executive Officer

John J. Hamilton

Senior Vice President and
Chief Financial Officer

Gordon A. Duncan

Senior Vice President,
Industrial Components

P. Mark Whitman

Senior Vice President, Mobile Equipment

Tim W. Zawislak

Senior Vice President, Power Systems

Linda J. Corbett

Treasurer

Christopher J. Desjardins

General Counsel and Secretary

Head Office

3280 Wharton Way
Mississauga, ON L4X 2C5
Tel: (905) 212-3300
Fax: (905) 212-3350

Unitholder Information

Transfer Agent and Registrar

For information relating to unitholdings, distributions, lost certificates, changes of address or estate transfers, please contact our transfer agent:

Computershare Trust Company of Canada
100 University Ave., 9th Floor
Toronto, ON M5J 2Y1
Tel: (514) 982-7555 or 1-800-564-6253
Fax: (514) 982-7635 or 1-888-453-0330
E-mail: caregistryinfo@computershare.com

Auditors

KPMG LLP

Exchange Listing

Toronto Stock Exchange

Unit Symbol: WJX.UN

Wajax Income Fund Unit

Trading Information

(January 1 – December 31, 2009)

Open	High	Low	Close	Volume of Units Traded
\$ 21.15	\$ 23.40	\$ 10.95	\$ 21.83	12,309,677

Quarterly Earnings Reports

Quarterly earnings for the balance of 2010 are anticipated to be announced on May 7, August 6 and November 4.

2010 Distribution Dates

Monthly distributions are payable to unitholders of record on the last business day of each month and are generally paid on the 20th day of the following month or the next following business day.

Investor Information

John Hamilton
Senior Vice President and
Chief Financial Officer
Tel: (905) 212-3300
Fax: (905) 624-6020
E-mail: ir@wajax.com

To obtain a delayed unit quote, read news releases, listen to the latest analysts' conference call, and stay abreast of other Fund news, visit our website at www.wajax.com.

Annual Meeting

Unitholders are invited to attend the Annual and Special Meeting of Wajax Income Fund, to be held in the Port Credit North Room of The Waterside Inn, 15 Stavebank Road South, Mississauga, Ontario, Canada, on Friday, May 7, 2010, at 11:00 a.m.

Vous pouvez obtenir la version française de ce rapport en écrivant à la Secrétaire, Fonds de revenu Wajax
3280 Wharton Way
Mississauga (ON) L4X 2C5

Operating Units and Branch Listings

Operating Units

Mobile Equipment

Wajax Industries
16745 – 111th Avenue
Edmonton, Alberta T5M 2S4
Mark Whitman,
Senior Vice President,
Mobile Equipment

Wajax Industries West
16745 – 111th Avenue
Edmonton, Alberta T5M 2S4
Brian Dyck, General Manager,
General Equipment, West
John Fitzpatrick,
General Manager,
Mining Division, West

Wajax Industries Ontario
1865 Sharlyn Road
Mississauga, Ontario L4X 2C5
Tom Plain,
General Manager, Ontario

Wajax Industries East
1100 Norman Street
Lachine, Québec H8S 1A6
Sylvain Belisle,
General Manager, East

Power Systems

Wajax Power Systems
10025 – 51st Avenue
Edmonton, Alberta T6E 0A8
Tim Zawislak, Senior Vice
President, Power Systems

Waterous Power Systems
10025 – 51st Avenue
Edmonton, Alberta T6E 0A8
Tim Zawislak, President

DDACE Power Systems
2997 rue Watt
Québec City,
Québec G1X 3W1
Gilbert Dumas, President

Industrial Components

Kinecor
2200 52nd Avenue
Lachine, Québec H8T 2Y3
Gordon Duncan, President

Kinecor West
1403 5th Street
Nisku, Alberta T9E 8C7
Barry Sutherby, Vice President,
Western Region

Kinecor Central
One Moyal Court
Concord, Ontario L4K 4R8
Richard Ayuen, Vice President,
Central Region

Kinecor East
2200 52nd Avenue
Lachine, Québec H8T 2Y3
Francois Germain, Vice
President, Eastern Region

Branch Listings

Mobile Equipment

Wajax Industries West
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC
Sparwood, BC
Blackfalds, AB
Calgary, AB
Clairmont, AB
Edmonton, AB (2)
Fort McKay, AB
Fort McMurray, AB
Saskatoon, SK
Winnipeg, MB

Wajax Industries Ontario
Hamilton, ON
London, ON
Milton, ON
Mississauga, ON
Ottawa, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Windsor, ON

Wajax Industries East
Granby, QC
Lachine, QC

Quebec City, QC
St-Felicien, QC
Moncton, NB
Dartmouth, NS
Pasadena, NL
Wabush, NL

Power Systems

Waterous Power Systems
Fort St. John, BC
Calgary, AB
Edmonton, AB
Fort McMurray, AB
Grande Prairie, AB
Red Deer, AB
Redcliff, AB
Regina, SK
Saskatoon, SK
Winnipeg, MB
Thunder Bay, ON

DDACE Power Systems
Concord, ON
Delson, QC
Dorval, QC
Québec City, QC
Saint Nicephore, QC
Val d'Or, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL

Industrial Components

Kinecor West
Fort St. John, BC
Prince George, BC
Surrey, BC
Calgary, AB (2)
Edmonton, AB (2)
Nisku, AB
Regina, SK
Saskatoon, SK
Flin Flon, MB
Thompson, MB
Winnipeg, MB
Yellowknife, NW

Kinecor Central
Belleville, ON
Concord, ON
Espanola, ON
Guelph, ON
Kapusksasing, ON
London, ON
Mississauga, ON
Sarnia, ON
Sault Ste. Marie, ON
Stoney Creek, ON
Sudbury, ON
Thunder Bay, ON (2)
Timmins, ON
Windsor, ON
Temiscaming, QC

Kinecor East
Ottawa, ON
Chicoutimi, QC
Drummondville, QC
Granby, QC
Lachine, QC
LaSalle, QC
Laval, QC
Longueuil, QC
Noranda, QC
Quebec City, QC
Rimouski, QC
Sept Iles, QC
Sherbrooke, QC
Thetford Mines, QC
Tracy, QC
Trois Rivières, QC
Val d'Or, QC
Valleyfield, QC
Ville d'Anjou, QC
Bathurst, NB
Edmundston, NB
Moncton, NB
Charlottetown, PE
Dartmouth, NS
Port Hawkesbury, NS
Stellarton, NS
Corner Brook, NL
Mount Pearl, NL
Wabush, NL



Wajax Income Fund
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