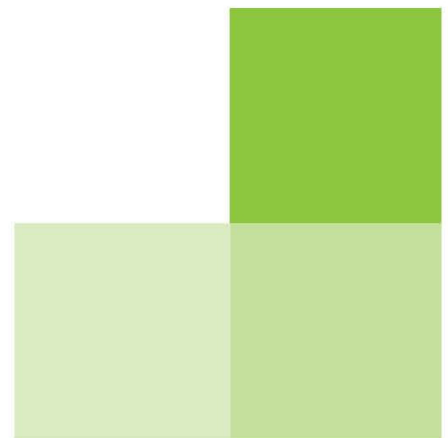




Consolidated financial statements

2009 year-end



GENIVAR Income Fund

Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars)

Auditors' Report

To the Unitholders of GENIVAR Income Fund

We have audited the consolidated balance sheets of **GENIVAR Income Fund** as at December 31, 2009 and 2008 and the consolidated statements of earnings and comprehensive income, retained earnings and contributed surplus 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 consolidated financial statements based on our audits.

We conducted our audits 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.

*PricewaterhouseCoopers LLP*¹

Montréal, Quebec, Canada
March 22, 2010

¹ Chartered accountant auditor permit No. 19042

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

GENIVAR Income Fund

Consolidated Balance Sheets
As at December 31, 2009 et 2008

(in thousands of dollars)

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	51,887	14,709
Accounts receivable (note 6)	143,256	115,443
Costs and anticipated profits in excess of billings	51,292	46,076
Prepaid expenses	4,710	2,230
	<hr/> 251,145	<hr/> 178,458
Property, plant and equipment (note 7)	33,029	30,021
Intangible assets (note 8)	100,167	78,453
Goodwill (note 9)	148,756	140,450
	<hr/> 533,097	<hr/> 427,382
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	69,388	62,012
Income taxes payable	347	428
Billings in excess of costs and anticipated profits	24,836	29,481
Future income tax liabilities (note 20)	389	953
Distributions payable to unitholders (note 18)	15,619	13,429
Current portion of balances of purchase price payable (note 12)	5,300	13,763
Current portion of long-term debt (note 13)	330	1,662
	<hr/> 116,209	<hr/> 121,728
Balances of purchase price payable (note 12)	1,768	-
Long-term debt (note 13)	5,670	222
Bank advances (note 10)	-	10,668
Future income tax liabilities (note 20)	3,695	1,044
Non-controlling interest (note 14)	128,361	111,832
	<hr/> 255,703	<hr/> 245,494
Unitholders' Equity		
Fund units (note 15)	275,065	179,636
Retained Earnings	2,329	2,252
	<hr/> 277,394	<hr/> 181,888
	<hr/> 533,097	<hr/> 427,382
Commitments and contingencies (note 24)		
Subsequent events (note 27)		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Trustees

(signed) Pierre Shoiry _____ Trustee

(signed) Pierre Seccareccia _____ Trustee ⁽³⁾

GENIVAR Income Fund

Consolidated Statements of Retained Earnings and Contributed Surplus For the years ended December 31, 2009 and 2008

(in thousands of dollars)

	2009 \$	2008 \$
Retained Earnings (Deficit) – Beginning of year	2,252	(483)
Net earnings for the year	31,093	25,815
	33,345	25,332
Declared distributions to unitholders (note 18)	(31,016)	(23,080)
Retained Earnings – End of year	<u>2,329</u>	<u>2,252</u>

	2009 \$	2008 \$
Contributed Surplus – Beginning of year	-	-
Compensation costs under the Long-Term Incentive Plan (“LTIP”)	275	275
Units vested under the LTIP	(275)	(275)
Contributed Surplus – End of year	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these consolidated financial statements.

GENIVAR Income Fund

Consolidated Statements of Earnings and Comprehensive Income For the years ended December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data)

	2009	2008
	\$	\$
Revenues	477,924	387,803
Costs	279,241	225,695
Gross margin	198,683	162,108
Expenses		
Marketing, general and administrative	116,867	95,898
Depreciation of property, plant and equipment	6,287	4,705
Amortization of intangible assets	17,036	16,527
Net interest expense (note 19)	1,813	2,198
Exchange loss (gain)	3,332	(2,256)
	145,335	117,072
Earnings before income taxes and non-controlling interest	53,348	45,036
Income taxes (note 20)	3,281	2,518
Earnings before non-controlling interest	50,067	42,518
Non-controlling interest (note 14)	(18,974)	(16,703)
Net earnings and comprehensive income for the year	31,093	25,815
Basic net earnings per unit	2.06	1.95
Weighted average number of units (note 17)	15,071,186	13,213,513
Diluted net earnings per unit	2.06	1.95
Diluted weighted average number of units (note 17)	24,131,573	21,829,087

The accompanying notes are an integral part of these consolidated financial statements.

GENIVAR Income Fund

Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

(in thousands of dollars)

	2009 \$	2008 \$
Cash flows from operating activities		
Net earnings for the year	31,093	25,815
Items not affecting cash and cash equivalents		
Depreciation and amortization	23,323	21,232
Compensation costs under the LTIP	275	275
Future income taxes	(705)	(715)
Non-controlling interest	18,974	16,703
	<u>72,960</u>	<u>63,310</u>
Change in non-cash working capital items (note 21)	<u>(20,379)</u>	<u>(24,988)</u>
	<u>52,581</u>	<u>38,322</u>
Cash flows from financing activities		
Variation in advances payable to and receivable from the non-controlling unitholder	(4,180)	(85)
Distributions paid to unitholders	(28,826)	(15,936)
Distributions paid to the non-controlling unitholder	(17,668)	(11,162)
Repayment of balances of purchase price payable	(15,190)	(3,298)
Long-term debt contracted	6,000	307
Repayment of long-term debt	(1,884)	(1,311)
Net variation in bank advances	(10,668)	10,668
Issuance of units (note 15)	100,000	35,000
Investment by the non-controlling unitholder (note 14)	-	15,000
Issuance-related costs (note 1)	(5,500)	(2,250)
Distributions reinvested in units under the LTIP	31	(7)
	<u>22,115</u>	<u>26,926</u>
Cash flows used in investing activities		
Business acquisitions (note 4)	(25,735)	(53,570)
Variation in advances to companies and a joint venture controlled by the non-controlling unitholder	177	(175)
Additions to property, plant and equipment	(7,960)	(8,129)
Proceeds from disposal of property, plant and equipment	827	789
Acquisition of software	(4,827)	(2,309)
	<u>(37,518)</u>	<u>(63,394)</u>
Increase in cash and cash equivalents	37,178	1,854
Cash and cash equivalents – Beginning of year	<u>14,709</u>	<u>12,855</u>
Cash and cash equivalents – End of year	<u>51,887</u>	<u>14,709</u>
Additional information		
Interest paid	1,898	2,341
Interest received	(85)	(143)
Income taxes paid	5,029	8,270

The accompanying notes are an integral part of these consolidated financial statements.

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

1 Description of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust created pursuant to the Fund Declaration of Trust made as of March 31, 2006, as amended and restated on May 16, 2006, and is governed by the laws of the Province of Quebec. The Fund has been created to invest, through GENIVAR Operating Trust (the «Trust»), a wholly owned trust, in limited partnership units of GENIVAR Limited Partnership («GENIVAR LP») and in shares of GENIVAR GP Inc. (“Genivar GP”), the general partner of GENIVAR LP.

The Fund offers services ranging from planning to execution, including conceptual and development studies, feasibility and economic studies, preliminary engineering and detailed design, plans and specifications, work supervision and environmental planning.

On October 2, 2008, the Fund issued, pursuant to a public offering, 1,391,650 units for gross proceeds of \$35,000. Concurrently with the closing of the offering, GENIVAR inc., the non-controlling unitholder, subscribed, directly and indirectly, for 596,421 Exchangeable Class B LP Units of GENIVAR LP and 596,421 Special Voting Units of the Fund for gross proceeds of \$15,000. Total issuance-related costs amounted to \$2,250 less future income taxes of \$235. Following this transaction, the Fund owned 14,294,089 Class A LP Units of GENIVAR LP, representing a 61.2% interest.

On October 16, 2009, the Fund issued, pursuant to a public offering, 3,809,500 units for gross proceeds of approximately \$100,000. Total issuance-related costs amounted to approximately \$5,500 less future income taxes of \$623. Following this transaction, the Fund now owns indirectly 18,103,589 Class A LP Units of GENIVAR LP, representing a 66.65% interest.

2 Changes in accounting policies

On January 1, 2009, the Fund adopted Section 3064, “Goodwill and Intangible Assets,” issued by the Canadian Institute of Chartered Accountants (“CICA”). This section replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs.” This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

On January 20, 2009, the Fund adopted the recommendation of the Emerging Issues Committee No. 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” (EIC-173) issued by the CICA. This abstract clarifies that an entity’s own credit risk and the credit risk of its counterparty should be taken into consideration in determining the fair value of financial assets and liabilities.

The application of these standards had no significant impact on the Fund’s consolidated results of operations or financial position.

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

On January 1, 2008, the Fund adopted the following new accounting standards issued by the CICA:

- Section 1400, “General Standards of Financial Statement Presentation.” This standard has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern.
- Section 1535, “Capital Disclosures.” This section establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and, if not, the consequences of such non-compliance. These disclosures are included in note 16.
- Section 3862, “Financial Instruments – Disclosures.” This section describes the required disclosures to evaluate the significance of financial instruments for the entity’s financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. These disclosures are included in note 23.
- Section 3863, “Financial Instruments – Presentation.” This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, “Financial Instruments – Disclosure and Presentation.”

These sections relate to disclosure and presentation and did not have any impact on the Fund’s consolidated results or financial position.

On August 28, 2008, the Fund adopted EIC-171, “Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through,” issued by the CICA. This EIC establishes that the future income taxes related to temporary differences associated with the assets and liabilities attributable to the exchangeable interests should not be recorded prior to the conversion of the exchangeable interests. It also describes how future income taxes should be accounted for on the conversion of exchangeable interests. The Fund adopted this new recommendation retrospectively. The implementation of this standard had no significant impact on the consolidated financial statements of the Fund.

3 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates used in the preparation of these consolidated financial statements include the percentage of completion of

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

contracts, allowances for doubtful accounts and for costs and anticipated profits in excess of billings, useful lives and fair value of identifiable intangible assets acquired in business acquisitions, impairment test of intangible assets and goodwill, provision for legal claims and provision for future income taxes. Actual results could differ from those estimates.

Consolidation and joint ventures

These financial statements include the accounts of the Fund, the Trust, GENIVAR GP, GENIVAR LP and its subsidiaries.

The Fund conducts certain activities in joint ventures with other parties. The interests in such joint ventures are accounted for using the proportionate consolidation method, which results in the Fund recording its pro rata share of the assets, liabilities, revenues, costs and cash flows of each of these joint ventures using the most recent financial statements of the joint ventures available, which are not necessarily the ones as at December 31, 2009 or 2008.

All significant intercompany transactions and balances have been eliminated.

Variable interest entities

Entities that are subject to control on a basis other than ownership of voting interests are accounted for using the accounting requirement on the consolidation of variable interest entities ("VIEs") under Accounting Guideline AcG-15, "Consolidation of variable interest entities." VIEs are characterized as entities in which the equity is not sufficient to permit them to finance their activities without external support, or equity investors lack voting control, an obligation to absorb expected losses or the right to receive expected residual returns.

Where a reporting entity is determined to have a variable interest in such an entity, and where that interest will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected returns, or both at the end of the VIE's existence, the reporting entity is deemed to be the primary beneficiary and must consolidate the VIE. VIEs controlled by the Fund, otherwise than by voting control, and for which the Fund is the primary beneficiary, are consolidated.

Translation of foreign currencies

For foreign currency transactions and foreign entities, which are considered financially and operationally integrated, the temporal method of translation of foreign currencies has been used. Monetary items are translated at the rate in effect at the balance sheet date, non-monetary items are translated at their historical rate (as well as the related depreciation and amortization) and revenues and expenses are translated at the rate in effect at the transaction date or at the average exchange rates during the period as appropriate. Translation gains and losses are recorded in earnings.

Revenue recognition

Revenues and profits from cost-plus contracts with ceilings and from fixed price contracts are accounted for using the percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Revenues and profits from cost-plus contracts without stated ceilings and from short-term projects are recognized as costs are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Fund for subconsultants and other expenses that are recoverable directly from clients are billed to them and therefore are included in revenues. In all cases, the value of goods and services purchased by the Fund, when acting as purchasing agent for a client, is not recorded as revenue.

The effect of revisions to estimated revenues and costs is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and could be material. Where total contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Given the uncertainties associated with these types of contracts, it is possible for actual costs to vary from estimates previously made, which may result in reductions or reversals of previously recorded revenues and profits.

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value, except for the related party transactions, which are measured at exchanged amount, and their subsequent measurements are dependant on their classification, as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments as follows:

- Cash and cash equivalents are classified as held for trading.
- Accounts receivable, costs and anticipated profits in excess of billings, advances to the non-controlling unitholder and advances to companies and a joint venture controlled by the non-controlling unitholder are classified as loans and receivables.
- Accounts payable and accrued liabilities, advances payable to the non-controlling unitholder, distributions payable to the unitholders, balances of purchase price payable, long-term debt and bank advances are classified as other liabilities.

Settlement date accounting is used for all financial assets. Changes in fair value between the trade date and settlement date for held for trading financial assets are reflected in the consolidated statements of earnings.

Held for trading

Held-for-trading financial instruments are measured at fair value at the balance sheet date. Interest earned, gains and losses realized on disposal and unrealized gains and losses from change in fair value are recorded in the consolidated statements of earnings.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest rate method.

Transaction costs

Transaction costs related to held-for-trading financial instruments are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are considered as part of the carrying value of the asset and liability and are then amortized over the expected life of the instrument using the effective interest rate method. In addition, transaction costs do not include direct transaction costs in business acquisitions that are included as part of the purchase price of the acquisition.

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed on in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

Hedge accounting

The Fund does not use hedge accounting.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments with original maturities of three months or less. They are accounted for at their estimated fair value which approximates cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated as follows:

	Methods	Rates and period
Buildings	Declining balance	4% and 10%
Leasehold improvements	Straight-line	Lease term
Furniture and equipment	Declining balance	20% and 25%
Computer equipment	Declining balance	30%
Automotive equipment	Declining balance	30%

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Intangible assets

Intangible assets with finite useful lives consist of software, customer relationships, contract backlogs and non-competition agreements. The trade name is an indefinite-lived intangible asset and accordingly is not subject to amortization but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that the carrying value may not be recoverable.

The other intangible assets are amortized as follows:

	Methods	Rates and periods
Software	Straight-line Declining balance	6 years 30%
Customer relationships	Straight-line	10 and 14 years
Contract backlogs	Straight-line	6 months to 3 years
Non-competition agreements	Straight-line	1 to 5 years

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of net identifiable assets acquired. Goodwill is not subject to amortization but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired. The impairment test is accomplished mainly by determining whether the fair value of a reporting unit, based upon an accepted valuation method, exceeds the carrying amount of that reporting unit. If the fair value exceeds the carrying amount of the reporting unit, no impairment is necessary. If the carrying amount of the reporting unit exceeds its fair value, a second test must be performed whereby the fair value of the reporting unit's goodwill must be compared with its carrying value to measure the amount of the impairment loss, if any. Fair value of goodwill is estimated in the same way as it was determined at the date of the acquisition. When the carrying amount of the reporting unit's goodwill exceeds the fair value of the goodwill, an impairment loss equal to the excess is recognized.

The Fund has elected to carry out its annual impairment test in December of each year for all its existing reporting units.

Income taxes

Since the second quarter of 2007, the Fund accounts for future income taxes. The cumulative effect of future income taxes recognized, in addition to the taxes recognized by operating subsidiaries

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

subject to income taxes, is based on existing temporary differences that are expected to reverse from January 1, 2011, when the SIFT Rules take effect.

Income taxes are accounted for using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse on a stand-alone basis. Valuation allowance is established against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Long-Term Incentive Plan (“LTIP”)

During 2007, the officers and key employees were eligible to participate in GENIVAR LP’s LTIP. The plan provided that one third of the units will vest equally over a three-year period following the grant of the awards. The Fund accounts for a compensation cost, on a straight-line basis, over the vesting period of the units. Units purchased in the market have been applied against unitholders’ equity.

Earnings per unit

Basic earnings per unit are determined using the weighted average number of units outstanding during the year.

Diluted earnings per unit are determined using the weighted average number of units outstanding during the year, plus the effects of dilutive potential units outstanding during the year. The calculation of diluted earnings per unit is made using the treasury stock method.

Future accounting standards

Business combinations

The CICA published Section 1582, “Business Combinations.” This section will be applicable to business combinations for which the acquisition date is on or after January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

Consolidated financial statements

The CICA published Section 1601, “Consolidated Financial Statements.” This section will be applicable to the Fund’s interim and annual financial statements for the year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements.

Non-controlling interest

The CICA published Section 1602, “Non-controlling Interests.” This section will be applicable to the Fund’s interim and annual financial statements for the year beginning on January 1, 2011. Early

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Fund has not yet determined the impact of the adoption of these new sections on its consolidated financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

4 Business acquisitions

The acquisitions have been accounted for using the purchase method, and the operating results have been included in the consolidated financial statements from the date of acquisition. Upon a change in the purchase price, the net assets acquired and the balances of purchase price payable are modified when it is determined that such change is estimated to be likely to occur. Such change occurs when there is a price adjustment provision to the carrying value of the net assets acquired.

(a) Acquisitions made by the Fund in 2009

- On January 1, 2009, the Fund acquired all the outstanding shares of Design Collaborative Associates Ltd. ("DCA"), a Trinidad and Tobago-based architectural and urban planning firm.
- On January 31, 2009, the Fund acquired all the assets and liabilities of Envirotel 3000 ("Envirotel"), a Quebec-based environmental engineering firm.
- On January 31, 2009, the Fund acquired all the assets and liabilities of WSA Trenchless Consultants ("WSA"), a Quebec-based municipal infrastructure engineering firm.
- On January 31, 2009, the Fund acquired all the assets and liabilities of ENTRA Consultants ("ENTRA"), an Ontario-based transportation engineering firm.
- On February 28, 2009, the Fund acquired all the assets and liabilities of Wiebe Environmental Services ("WES"), a Western Canada-based environmental engineering firm.
- On April 4, 2009, the Fund acquired all the assets and liabilities of Algal & Associates ("Algal"), an Ontario-based electrical engineering firm.
- On April 30, 2009, the Fund acquired all the assets and liabilities of ENAQ, a Quebec-based nuclear power engineering firm.
- On May 19, 2009, the Fund acquired all the assets and liabilities of Jagger Hims ("Jagger"), an Ontario-based earth sciences and environmental engineering firm.
- On July 5, 2009, the Fund acquired all the assets and liabilities of WM. R. Walker Engineering ("Walker"), an Ontario-based multidisciplinary consulting and engineering firm.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

- On August 23, 2009, the Fund acquired all the assets and liabilities of Magnate Engineering & Associates (“MEA”) and all the outstanding shares of Magnate Communications Corp. (“MCC”) (collectively “Magnate”), two Ontario- and British Columbia-based telecommunications engineering firms.
- On September 1, 2009, the Fund acquired all the assets and liabilities of Progemes Consultants (“Progemes”), a Quebec-based building engineering firm.
- On October 1, 2009, the Fund acquired all the assets and liabilities of Gilles Taché & Associés (“Gilles Taché”), a Quebec-based municipal infrastructure firm.
- On October 8, 2009, the Fund acquired all the assets and liabilities of Harp Engineering and Design (“Harp”), an Ontario-based mechanical and electrical firm.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

The final purchase price allocations of DCA, Envirotel, WSA, ENTRA and WES are completed by management with the assistance of an independent valuator. The purchase price allocations of Algal, Jagger, Walker, Magnate, Progemes, Gilles Taché and Harp are preliminary, but the Fund does not anticipate any significant changes upon the finalization of the evaluation of the intangible assets in the purchase price allocations. The purchase price allocation of ENAQ has not been completed, and as such, any excess of the consideration paid over management's best estimate of the fair value of net tangible assets acquired has been allocated to goodwill.

	\$
Assets acquired	
Current assets	
Cash	1,856
Accounts receivable	19,611
Costs and anticipated profits in excess of billings	846
Prepaid expenses	488
	<u>22,801</u>
Property, plant and equipment	1,443
Intangible assets	
Finite useful life	
Software	116
Customer relationships	12,143
Contract backlogs	2,909
Non-competition agreements	478
	<u>39,890</u>
Liabilities assumed	
Current liabilities	
Bank advances	1,095
Accounts payable and accrued liabilities	10,897
Advances payable to the non-controlling unitholder	318
Billings in excess of costs and anticipated profits	291
Income taxes payable	962
	<u>13,563</u>
Future income tax liabilities	198
	<u>13,761</u>
Net identifiable assets acquired	26,129
Goodwill	8,862
	<u>34,991</u>
Purchase price	34,991
Plus (less):	
Cash acquired	(1,856)
Bank advances assumed	1,095
Balances of purchase price payable	(8,495)
	<u>25,735</u>
Net cash used for the acquisitions	<u>25,735</u>

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

(b) Finalization in 2009 of purchase price allocations

During the year 2009, the Fund finalized the purchase price allocations pertaining to the acquisitions of Doucet & Associés Conseils (“DAC”), Peterson Galloway (“PG”), Bullock Baur Associates (“BBA”), ZENIX Engineering (“ZE”), Solmers, Henderson Paddon & Associates/Oweson (“HP&O”), Consultants GÉNIPLUS/Nageco (“GÉNIPLUS”), DDH Environnement (“DDH”), Pomeroy Consulting Engineers (“Pomeroy”) and Consumaj Estrie (“CE”), realized in 2008. The final allocations, completed by management with the assistance of an independent valuator, resulted in an increase in customer relationships of \$257, an increase in contract backlogs of \$250 and an increase in non-competition agreements of \$49. As a result of these changes, goodwill decreased by \$556.

(c) Acquisitions made by the Fund in 2008

- On January 1, 2008, the Fund acquired all the assets and liabilities of Transenco (“TL”), an Ontario-based transportation planning and design engineering firm.
- On January 31, 2008, the Fund acquired all the assets and liabilities of RFA Consulting Electrical Engineers (“RFA”), a British Columbia-based electrical engineering and lighting design services firm.
- On January 31, 2008, the Fund acquired all the assets and liabilities of Phoenix Engineering (“Phoenix”), a Western Canada-based wind power consulting firm.
- On February 29, 2008, the Fund ultimately acquired all the assets and liabilities of EXH Engineering Services (“EXH”), an Alberta-based transportation and municipal infrastructure firm.
- On May 5, 2008, the Fund acquired all the assets and liabilities of DAC, a Quebec-based telecommunications and utilities infrastructure engineering and consulting firm.
- On June 1, 2008, the Fund acquired all the assets and liabilities of BBA, a British Columbia-based civil and municipal engineering firm.
- On June 30, 2008, the Fund acquired all the assets and liabilities of PG, a British Columbia-based civil and building engineering consulting firm.
- On August 1, 2008, the Fund acquired all the assets and liabilities of ZE, an Ontario-based electrical and building engineering consulting firm.
- On August 1, 2008, the Fund acquired all the assets and liabilities of Solmers, a Quebec-based environmental engineering consulting firm.
- On August 1, 2008, the Fund acquired all the assets and liabilities of HP&O, an Ontario-based civil engineering and environmental consulting firm.
- On October 31, 2008, the Fund acquired all the assets and liabilities of GÉNIPLUS, a Quebec-based municipal infrastructure, structural buildings and bridge engineering firm.

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

- On November 1, 2008, the Fund acquired all the assets and liabilities of CE, a Quebec-based environmental and municipal infrastructure engineering firm.
- On December 1, 2008, the Fund acquired all the assets and liabilities of DDH, a Quebec-based earth sciences and environmental engineering firm.
- On December 1, 2008, the Fund acquired all the assets and liabilities of Pomeroy, a British Columbia-based structural and building engineering firm.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

The final purchase price allocations of TL, RFA, Phoenix and EXH are completed by management with the assistance of an independent valuator. The purchase price allocations of DAC, BBA, PG, ZE, Solmers, HP&O, and GÉNIPLUS were preliminary in 2008 and have been finalized in 2009 (note 4(b)). The purchase price allocations of CE, DDH and Pomeroy had not been completed in 2008, and as such, any excess of the consideration paid over management's best estimate of the fair value of net tangible assets acquired had been allocated to goodwill in 2008. These purchase price allocations have been finalized in 2009 (note 4(b)).

	EXH \$	Others* \$	Total \$
Assets acquired			
Current assets			
Cash	2,867	1,616	4,483
Accounts receivable	6,044	15,939	21,983
Costs and anticipated profits in excess of billings	636	3,811	4,447
Prepaid expenses	253	432	685
	<u>9,800</u>	<u>21,798</u>	<u>31,598</u>
Property, plant and equipment	6,798	2,778	9,576
Intangible assets			
Finite useful life			
Software	201	2,197	2,398
Customer relationships	16,500	14,709	31,209
Contract backlogs	5,300	3,406	8,706
Non-competition agreements	990	702	1,692
	<u>39,589</u>	<u>45,590</u>	<u>85,179</u>
Liabilities assumed			
Current liabilities			
Bank advances	-	(1,919)	(1,919)
Accounts payable and accrued liabilities	(6,463)	(9,961)	(16,424)
Billings in excess of costs and anticipated profits	-	(2,078)	(2,078)
Income taxes payable	(1,165)	-	(1,165)
Advances payable to the non-controlling unitholder	-	(287)	(287)
Current portion of long-term debt	(885)	(287)	(1,172)
	<u>(8,513)</u>	<u>(14,532)</u>	<u>(23,045)</u>
Long-term debt	(1,447)	(269)	(1,716)
	<u>(9,960)</u>	<u>(14,801)</u>	<u>(24,761)</u>
Net identifiable assets acquired	29,629	30,789	60,418
Goodwill	3,450	11,747	15,197
	<u>33,079</u>	<u>42,536</u>	<u>75,615</u>
Purchase price	33,079	42,536	75,615
Plus (less):			
Cash acquired	(2,867)	(1,616)	(4,483)
Bank advances assumed	-	1,919	1,919
Balances of purchase price payable	(8,711)	(6,640)	(15,351)
Income taxes payable	(4,130)	-	(4,130)
	<u>17,371</u>	<u>36,199</u>	<u>53,570</u>
Net cash used for the acquisitions	17,371	36,199	53,570

* "Others" include TL, RFA, Phoenix, DAC, BBA, PG, ZE, Solmers, HP&O, GÉNIPLUS, CE, DDH, and Pomeroy.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

(d) Finalization in 2008 of purchase price allocations

During the year 2008, the Fund finalized the purchase price allocations pertaining to the acquisitions of National Capital Engineering, SEG Engineering, Harmer Podolak Engineering Consultants, TERRA experts conseils, André Simard et Associés, B.H. Martin Consultants and 9142-1362 Québec, realized in 2007. The final allocations, completed by management with the assistance of an independent valuator, resulted in an increase in customer relationships by \$1,302, an increase in contract backlogs of \$472 and the recognition of non-competition agreements of \$215. Purchase price increased by \$5 due to a change in the acquisition-related costs. As a result of these changes, goodwill decreased by \$1,984.

5 Joint ventures activities

The following is a summary of the Fund's proportionate share in the assets, liabilities, revenues, costs, expenses, and cash flows of the joint ventures, included in the consolidated financial statements:

	2009 \$	2008 \$
Statements of earnings		
Revenues	51,977	31,929
Costs	32,107	20,917
	<hr/>	<hr/>
Gross margin	19,870	11,012
	<hr/>	<hr/>
Statements of cash flows		
Cash flows provided from operating activities	16,972	6,427
	<hr/>	<hr/>
Current assets		
Cash	5,936	2,956
Accounts receivable	15,318	11,082
Costs and anticipated profits in excess of billings	6,158	4,051
	<hr/>	<hr/>
Total assets	27,412	18,089
	<hr/>	<hr/>
Current liabilities		
Accounts payable and accrued liabilities	6,832	4,544
Billings in excess of costs and anticipated profits	3,777	2,621
	<hr/>	<hr/>
Total liabilities	10,609	7,165
	<hr/>	<hr/>

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

6 Accounts receivable

	2009 \$	2008 \$
Trade receivables *	139,657	115,008
Companies controlled by the non-controlling unitholder	145	111
Non-controlling unitholder	-	129
Advances to the non-controlling unitholder	3,436	-
Advances to companies and a joint venture controlled by the non-controlling unitholder	18	195
	143,256	115,443

* Trade receivables include holdbacks amounting to \$3,847 (\$3,473 in 2008).

7 Property, plant and equipment

	2009		
	Cost \$	Accumulated depreciation \$	Net value \$
Land	1,345	-	1,345
Buildings	9,991	936	9,055
Leasehold improvements	5,932	1,627	4,305
Furniture and equipment	13,394	4,013	9,381
Computer equipment	14,450	6,198	8,252
Automotive equipment	1,079	388	691
	46,191	13,162	33,029

	2008		
	Cost \$	Accumulated depreciation \$	Net value \$
Land	1,396	-	1,396
Buildings	9,671	617	9,054
Leasehold improvements	4,467	986	3,481
Furniture and equipment	10,481	2,683	7,798
Computer equipment	11,748	3,901	7,847
Automotive equipment	667	222	445
	38,430	8,409	30,021

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

8 Intangible assets

	2009		
	Cost	Accumulated	Net
	\$	amortization	value
		\$	\$
Finite useful life			
Software	13,311	4,989	8,322
Customer relationships	87,364	16,419	70,945
Contract backlogs	13,363	6,890	6,473
Non-competition agreements	5,105	3,190	1,915
Indefinite useful life			
Trade name	12,512	-	12,512
	<u>131,655</u>	<u>31,488</u>	<u>100,167</u>
			2008
	Cost	Accumulated	Net
	\$	amortization	value
		\$	\$
Finite useful life			
Software	8,629	3,016	5,613
Customer relationships	69,850	9,243	60,607
Contract backlogs	9,788	4,791	4,997
Non-competition agreements	4,578	1,942	2,636
Indefinite useful life			
Trade name	4,600	-	4,600
	<u>97,445</u>	<u>18,992</u>	<u>78,453</u>

During the year, the Fund acquired intangible assets amounting to \$38,195 (\$47,405 in 2008), for which \$30,573 are subject to amortization, including an amount of \$17,722 (\$1,277 in 2008) from the step-by-step acquisition (note 14). The Fund allocated an amount of \$556 (\$1,989 in 2008) (note 4(b) and (d)) from goodwill to intangible assets as a result of the finalization of purchase price allocations.

9 Goodwill

	2009	2008
	\$	\$
Balance – Beginning of year	140,450	126,698
Goodwill resulting from business acquisitions (note 4(a) and (c))	8,862	15,197
Finalization of purchase price allocations (note 4(b) and (d))	(556)	(1,984)
Goodwill resulting from a step-by-step acquisition including future income taxes (note 14)	-	539
	<u>148,756</u>	<u>140,450</u>

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

As at December 31, 2009, goodwill amounting to \$28,498 (\$22,510 in 2008) is deductible for income tax purposes.

10 Credit facilities

The Fund has credit facilities totalling \$82,000 (\$82,000 in 2008) allocated as follows:

Term loan credit facility

Term facility of \$80,000 (\$80,000 in 2008) for operations and for the financing of acquisitions. The term loan credit facility may also be used for the payment of distributions to unitholders up to a maximum amount of \$10,000 (\$10,000 in 2008).

Treasury credit facility

Facility of \$2,000 to hedge against interest rate risks and foreign exchange risks.

These credit facilities mature in May 2012. At any time prior to the maturity date, the Fund may elect to repay all or a part of the term loan credit facility. The term of the credit facilities can be extended each year, for an additional one-year period, subject to the prior approval of the lender. The credit facilities are fully repayable at maturity without any prepayment penalties, except for banker's acceptances and LIBOR advances.

These credit facilities are secured by a first ranking hypothec over the universality of movable assets of GENIVAR LP and those of some of its subsidiaries. The term loan credit facility bears interest at prime rate for Canadian currency advances and US base rate for US currency advances. A variable fee, based on different levels of covenants, is applicable on LIBOR advances.

Under these credit facilities, GENIVAR LP is requested, among other conditions, to respect certain covenants on a consolidated basis, which have been met as at December 31, 2009 and 2008.

As at December 31, 2009, the Fund issued, in the normal course of business, irrevocable letters of credit totalling \$408 (\$303 in 2008) for its own commitments, thus decreasing such available credit facilities.

11 Accounts payable and accrued liabilities

	2009 \$	2008 \$
Trade payables and accrued liabilities	69,388	61,586
Advances payable to the non-controlling unitholder	-	426
	<hr/> 69,388	<hr/> 62,012

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

12 Balances of purchase price payable

	2009 \$	2008 \$
Payable to the vendor in annual capital instalments of \$884, bearing interest at 5%	2,652	-
Payable to the vendors in less than a year		
Without interest	651	3,276
Prime rate	1,000	7,194
Fixed rate varying from 3% to 5%	2,765	3,293
	<hr/> 7,068	<hr/> 13,763
Less: Current portion	5,300	13,763
	<hr/> 1,768	<hr/> -

The annual capital instalments on balances of purchase price payable over each of the next three years amount to \$5,300 in 2010, \$884 in 2011 and \$884 in 2012.

13 Long-term debt

	2009 \$	2008 \$
Loan bearing interest at 3.02%, payable in monthly instalments of \$42 including capital and interest, beginning in February 2010, secured by a building.	6,000	-
Reimbursed during the year	-	1,884
	<hr/> 6,000	<hr/> 1,884
Less: Current portion	330	1,662
	<hr/> 5,670	<hr/> 222

The annual instalments due on long-term debt over each of the next five years amount to \$330 in 2010, \$339 in 2011, \$350 in 2012, \$361 in 2013, \$372 in 2014 and \$4,248 thereafter.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

14 Non-controlling interest

As at December 31, 2009 and 2008, the non-controlling interest is as follows:

	Exchangeable Class B LP Units		Exchangeable Class C LP Units		Total	
	Number	\$	Number	\$	Number	\$
Balance as at December 31, 2007	3,732,121	44,313	4,731,845	49,245	8,463,966	93,558
Units issued pursuant to a private placement (note 1)	596,421	15,000	-	-	596,421	15,000
Issuance-related costs (note 1)	-	(150)	-	-	-	(150)
Increase of the non-controlling interest as a result of a step-by-step acquisition*	-	764	-	836	-	1,600
Share in earnings attributable to the non-controlling unitholder	-	7,510	-	9,193	-	16,703
Distributions	-	(6,836)	-	(8,043)	-	(14,879)
Balance as at December 31, 2008	4,328,542	60,601	4,731,845	51,231	9,060,387	111,832
Increase of the non-controlling interest as a result of a step-by-step acquisition*	-	7,273	-	7,950	-	15,223
Share in earnings attributable to the non-controlling unitholder	-	9,064	-	9,910	-	18,974
Distributions	-	(8,441)	-	(9,227)	-	(17,668)
Balance as at December 31, 2009	4,328,542	68,497	4,731,845	59,864	9,060,387	128,361

* On October 16, 2009, the Fund acquired 3,809,500 units issued by GENIVAR LP for a cash consideration of \$100,000. As a result of this transaction, the Fund increased its interest in GENIVAR LP to 66.65% (61.2% before this transaction). This increase has been accounted for as a step-by-step acquisition which is a non-cash transaction. The excess of the purchase price over the net identifiable assets on the date of acquisition including future income taxes amounted to \$18,440 and has been recorded as contract backlogs for \$4,696, customer relationships for \$5,114, trade name for \$7,912 and property, plant and equipment for \$718. Accordingly, the non-controlling interest has increased by \$15,223 and future income taxes liabilities have increased by \$3,217.

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

On October 2, 2008, the Fund acquired 1,391,650 units issued by GENIVAR LP for a cash consideration of \$35,000. Concurrently, GENIVAR inc., the non-controlling unitholder subscribed for 596,421 Exchangeable Class B LP Units of GENIVAR LP for a cash consideration of \$15,000. As a result of this transaction, the Fund increased its interest in GENIVAR LP to 61.2% (60.4% before this transaction). This increase has been accounted for as a step-by-step acquisition which is a non-cash transaction. The excess of the purchase price over the net identifiable assets on the date of acquisition including future income taxes amounted to \$1,816 and has been recorded as contract backlogs for \$282, customer relationships for \$995 and goodwill for \$539 not deductible for income tax purposes. Accordingly, the non-controlling interest has increased by \$1,600 and future income taxes liabilities have increased by \$216.

The subordination period for the Exchangeable Class C LP Units ended as of July 1, 2008, in accordance with the terms of the GENIVAR LP Agreement. As a result, distributions are now made to all unitholders of GENIVAR LP Units concurrently and on a pro rata basis.

The Exchangeable Class B and Class C LP Units are economically equivalent to Class A LP Units held by the Trust. The Exchangeable Class B and Class C LP Units could be exchangeable for units on a one-for-one basis (subject to customary anti-dilution protections).

As at December 31, 2009, an amount of \$5,210 (\$5,210 in 2008) has been accounted for as distributions payable to the non-controlling unitholder.

15 Fund units

An unlimited number of units and an unlimited number of Special Voting Units may be issued pursuant to the Fund's Declaration of Trust.

Units

Each unit is transferable and represents an equal, undivided right to and interest in any distributions from the Fund, whether of net earnings, net realized capital gains (other than net realized capital gains distributed to redeeming unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All units are of the same class with equal rights and privileges. Units may be redeemed at the holder's request at any time for an amount related to the quoted market price, cash redemptions being limited to \$50 per month.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Issued and paid

	Number of units			\$
	Issued	Held by a trustee	Total	
Balance as at December 31, 2007	12,902,439	(31,634)	12,870,805	146,233
Units issued pursuant to a public offering (note 1)	1,391,650	-	1,391,650	35,000
Issuance-related costs less future income taxes (note 1)	-	-	-	(1,865)
Units vested net of distributions reinvested under the LTIP	-	14,977	14,977	268
Balance as at December 31, 2008	14,294,089	(16,657)	14,277,432	179,636
Units issued pursuant to a public offering (note 1)	3,809,500	-	3,809,500	100,000
Issuance-related costs less future income taxes (note 1)	-	-	-	(4,877)
Units vested net of distributions reinvested under the LTIP	-	16,657	16,657	306
Balance as at December 31, 2009	18,103,589	-	18,103,589	275,065

Special Voting Units

The Special Voting Units will not be entitled to any right nor interest in any distribution from the Fund whether of net earnings, net realized capital gains or other amounts, or in the net assets of the Fund in the event of a termination or winding-up of the Fund.

The Special Voting Units may be issued in series and will only be issued in connection with or in relation to Exchangeable Class B and Class C LP Units of GENIVAR LP ("Exchangeable LP Units") or other securities that are, directly or indirectly, exchangeable for units, in each case for the sole purpose of providing voting rights at the Fund level to the holders of such securities. Special Voting Units will be issued in conjunction with, and will not be transferable separately from, the Exchangeable LP Units (or other exchangeable securities) to which they relate. Conversely, the Special Voting Units will automatically be transferred upon a transfer of the associated Exchangeable LP Units. Each Special Voting Unit will entitle the holder thereof to a number of votes at any meeting of Voting Unitholders equal to the number of units which may be obtained upon the exchange of the Exchangeable LP Units (or other exchangeable securities) to which the Special Voting Unit relates.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Upon the exchange of the Exchangeable LP Units (or other exchangeable securities) for units, the Special Voting Units attached to such securities will immediately be cancelled without any further action of the Fund Trustees or the former holder of such Special Voting Units, and the former holder of such Special Voting Units will cease to have rights with respect thereto.

One Special Voting Unit will be outstanding for each Exchangeable Class B and Class C LP Unit issued by GENIVAR LP. As at December 31, 2009 and 2008, Special Voting Units outstanding amounted to 9,060,387.

16 Capital disclosures

The Fund's objectives when managing capital structure are:

- to maintain financial flexibility in order to meet financial obligations and to continue the growth plan by business acquisitions; and
- to control the Fund's activities in order to provide an appropriate distribution to the unitholders each year.

The Fund has defined its capital structure as the combination of balances of purchase price payable, long-term debt, bank advances, non-controlling interest and unitholders' equity, net of cash and cash equivalents.

	2009 \$	2008 \$
Balances of purchase price payable, including current portion	7,068	13,763
Long-term debt, including current portion	6,000	1,884
Bank advances	-	10,668
Non-controlling interest	128,361	111,832
Unitholders' equity	277,394	181,888
	<u>418,823</u>	<u>320,035</u>
Less: Cash and cash equivalents	<u>(51,887)</u>	<u>(14,709)</u>
	<u>366,936</u>	<u>305,326</u>

The Fund determines the appropriate level of bank advances and long-term debt in the context of its cash flows and business risks. The Fund has historically generated sufficient cash flows to pay monthly distributions to its unitholders.

The Fund's financing strategy is defined to maintain a flexible structure consistent with the objectives stated above, to respond adequately to changes in economic conditions and to allow growth through business acquisitions. In order to adjust its capital structure, the Fund may issue new units in the

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

market, contract bank advances and negotiate new credit facilities. In October 2009, the Fund issued new units pursuant to a public offering. The gross proceeds were used to reimburse part of the bank advances contracted in 2009 and 2008 to make business acquisitions and pay distributions to unitholders.

In order for the Fund to retain the benefit of the deferred application of the SIFT Rules, the Fund is not allowed to issue new equity until 2011.

The Fund, whose objectives are to distribute its taxable income to the unitholders and to use any excess of income to manage growth, monitors capital using the adjusted payout ratio, which is a non-GAAP measure. Adjusted payout ratio is defined as aggregate cash distributions divided by adjusted distributable cash. The adjusted distributable cash is defined as standardized distributable cash adjusted for entity-specific adjustment items that management believes are appropriate for the determination of levels of distributions. The standardized distributable cash is defined as cash flows from operating activities, including the effects of changes in non-cash working capital items and any operating cash flows provided from or used in discontinued operations, less total capital expenditures and restrictions on distributions arising from compliance with financial covenants and limitations arising from the existence of a minority interest in a subsidiary. For the year ended December 31, 2009, the adjusted distributable cash and the adjusted payout ratio amount respectively to \$61,704 and 78.9% (\$52,872 and 71.8% in 2008).

The Fund is not subject to any external requirements arising from regulatory or similar authorities.

The Fund's objectives and strategy described above have not changed since the Fund's constitution in 2006. These objectives and strategy are reviewed on an annual basis.

17 Earnings per unit

The following table reconciles the basic net earnings to the diluted net earnings:

	2009 \$	2008 \$
Basic net earnings	31,093	25,815
Non-controlling interest	18,974	16,703
	<hr/>	<hr/>
Diluted net earnings	50,067	42,518

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

The following table reconciles the basic weighted average number of units outstanding to the diluted weighted average number of units outstanding:

	2009	2008
Weighted average number of:		
Units outstanding – basic	15,071,186	13,213,513
LTIP awards	-	4,947
Exchangeable GENIVAR LP units	9,060,387	8,610,627
	<hr/>	<hr/>
Diluted weighted average number of units outstanding (note 3)	24,131,573	21,829,087
	<hr/>	<hr/>

18 Distributions to unitholders

The Fund has committed to distributing to its unitholders all or virtually all of its taxable income and taxable capital gains.

The Fund makes distributions on a monthly basis to unitholders of record as of the last business day of each month with distributions being paid on or about the fifteenth day, if such day is not a business day, following the end of each month.

In December 2009 and 2008, the Fund declared a one-time special distribution of \$0.45 per unit for both years.

19 Net interest expense

	2009	2008
	\$	\$
Interest on bank advances	1,812	2,089
Other interest	86	252
Interest income	(85)	(143)
	<hr/>	<hr/>
	1,813	2,198
	<hr/>	<hr/>

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

20 Income taxes

The reconciliation of the income tax expense with the income tax expense per the consolidated financial statements is as follows:

	2009 \$	2008 \$
Earnings before income tax expense and non-controlling interest	53,348	45,036
Fund's earnings not subject to income taxes	(45,587)	(36,583)
	<u>7,761</u>	<u>8,453</u>
Combined Canadian federal and provincial statutory tax rate	32.73%	32.57%
Income taxes based on statutory income tax rates	2,540	2,753
Implementation of the SIFT Rules*	(112)	(243)
Non-deductible expenses	390	24
Foreign tax rate differences	471	(115)
Effect of change in tax rate	(136)	24
Other	128	75
	<u>3,281</u>	<u>2,518</u>
Current	3,986	3,233
Future	(705)	(715)
	<u>3,281</u>	<u>2,518</u>

* To calculate the adjustment required on future income taxes since the application of the new fiscal rules (note 3), the Fund forecasted the changes in its tax attributes between year-end, and December 31, 2010. These forecasts will be updated quarterly and any change will be reflected in net earnings.

The tax rate used is the tax rate that is substantively enacted to be in effect for 2011. For the year ended December 31, 2009, the Fund recognized an amount of \$2,597 as future income tax liabilities (\$115 in 2008) and recorded \$112 (\$243 in 2008) as an income tax recovery, \$623 (\$235 in 2008) as a reduction of issuance-related costs and \$3,217 (\$216 in 2008) as an increase in intangible assets and property, plant and equipment (goodwill in 2008) resulting from step by step acquisition as a result of the implementation of the SIFT rules.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

As at December 31, 2009 and 2008, the significant components of future income tax assets and liabilities are as follows:

	2009	2008
	\$	\$
Future income tax assets		
Deductible provision upon settlement	23	521
Non-capital losses	-	242
Deferred issuance-related costs	991	312
Future income tax liabilities		
Costs and anticipated profits in excess of billings	(310)	(859)
Holdbacks	(102)	(617)
Property, plant and equipment and intangible assets	(4,686)	(1,596)
Future income taxes, net	<u>(4,084)</u>	<u>(1,997)</u>
Classified as:		
Current future income tax liabilities	(389)	(953)
Long-term future income tax liabilities	(3,695)	(1,044)
	<u>(4,084)</u>	<u>(1,997)</u>

The tax attributes of GENIVAR LP and a non-taxable subsidiary of GENIVAR LP are transferred to the Fund's unitholders and, accordingly, are not recognized in these consolidated financial statements. As at December 31, 2009 and 2008, the carrying amounts of the assets owned by GENIVAR LP and a non-taxable subsidiary of GENIVAR LP, which create temporary differences, exceeded their tax basis by \$16,363 and \$10,939.

21 Statements of cash flows

Change in non-cash working capital items

	2009	2008
	\$	\$
Decrease (increase) in:		
Accounts receivable	(4,943)	(18,249)
Income taxes receivable	-	65
Costs and anticipated profits in excess of billings	(4,370)	(14,106)
Prepaid expenses	(1,992)	(476)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(3,095)	3,044
Income taxes payable	(1,043)	(5,102)
Billings in excess of costs and anticipated profits	(4,936)	9,836
	<u>(20,379)</u>	<u>(24,988)</u>

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

22 Related party transactions

Business acquisitions

The Fund enters into transactions with GENIVAR inc., the non-controlling unitholder, in connection with certain business acquisitions. Generally, GENIVAR inc. acquires all the outstanding shares of a company and sells the net assets of the acquired company to GENIVAR LP or one of its subsidiaries. The purchase price for GENIVAR LP or one of its subsidiaries is identical to the shares' purchase price paid by GENIVAR inc., taking into account certain assets or liabilities that are not or cannot be transferred, which price has been concluded with unrelated parties. This acquisition strategy has been realized to facilitate the Fund's negotiations related to the acquisition of targeted companies. During the year, the Fund has acquired Envirotel, WSA, ENTRA, WES, Algal, ENAQ, Jagger, Walker, Magnate, Progemes, Gilles Taché and Harp (TL, RFA, Phoenix, DAC, BBA, PG, ZE, Solmers, HP&O, GÉNIPLUS, CE, DDH, and Pomeroy in 2008) for a total consideration of \$27,637 (\$41,603 in 2008), excluding acquisition-related costs of \$686 (\$933 in 2008) assumed directly by the Fund (note 4(a) and 4(c)). Subsequent to the year-end, the Fund has acquired V.B. Cook Co. ("Cook") and Thompson Rosemount Group ("Thompson") (note 27).

23 Financial instruments

Fair value

Cash and cash equivalents, accounts receivable, costs and anticipated profits in excess of billings, advances to the non-controlling unitholder, advances to companies and a joint venture controlled by the non-controlling unitholder, accounts payable and accrued liabilities, advances payable to the non-controlling unitholder, distributions payable to unitholders, balances of purchase price payable, long-term debt, and bank advances are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Fund's financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly, and Level 3 includes inputs for the assets or liability that are not based on observable market data. As at December 31, 2009 and 2008, the fair value of cash and cash equivalents are valued under Level 1.

The Fund is exposed to credit risk, foreign exchange risk, interest rate risk and liquidity risk. The following analyses provide a measurement of those risks as at December 31, 2009 and 2008.

Credit risk

Financial instruments which potentially subject the Fund to significant credit risk consist principally of cash and cash equivalents, accounts receivable, and costs and anticipated profits in excess of billings.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

The Fund's cash and cash equivalents are held with or issued by high-credit quality financial institutions. Therefore, the Fund considers the risk of non-performance on these instruments to be remote.

The Fund's credit risk is principally attributable to its trade receivables. The amounts presented in the balance sheet are net of an allowance for doubtful accounts, estimated by the Fund's management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. As at December 31, 2009, less than 13.19% (13.17% in 2008) of trade receivables are outstanding for more than 180 days. Generally, the Fund does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Fund performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Fund believes that the credit risk of accounts receivable is limited. During the year ended December 31, 2009, bad debts accounted for \$1,549 (\$688 in 2008).

The distribution of the Fund's customers and the business risk management procedures have the effect of avoiding any concentration of credit risk.

Foreign exchange risk

The Fund is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in US dollars, TT dollars and Euros. These risks are partially offset by purchases and operating expenses incurred in US dollars, TT dollars and Euros. As at December 31, 2009 and 2008, the balances denominated in foreign currencies are as follows:

	Foreign currencies converted into CAN\$	
	2009 \$	2008 \$
Current assets	42,586	32,659
Current liabilities	19,786	17,764

Taking into account the amounts denominated in currencies indicated above and supposing that all of the other variables remain unchanged, a fluctuation in exchange rates would have an impact on the Fund's net earnings. Management believes that a 10% change in exchange rates would be reasonably possible and that the impact on earnings of a 10% change in exchange rates would be approximately \$2,280 (\$1,490 in 2008).

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Interest rate risk

As at December 31, 2009 and 2008, the Fund's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Accounts receivable, excluding advances	Non-interest bearing
Costs and anticipated profits in excess of billings	Non-interest bearing
Advances to the non-controlling unitholder	Prime rate
Advances to companies and a joint venture controlled by the non-controlling unitholder	Prime rate
Accounts payable and accrued liabilities, excluding advances	Non-interest bearing
Advances payable to the non-controlling unitholder	Prime rate
Distributions payable to unitholders	Non-interest bearing
Balances of purchase price payable	As described in note 12
Long-term debt	As described in note 13
Bank advances	As described in note 10

The Fund may be affected by a fluctuation in the interest rate but will have the ability to meet its obligations.

A fluctuation in interest rates would have an impact on the Fund's net earnings. Management believes that a 0.5% change in interest rate would be possible and that the impact on earnings of a 0.5% change in interest rates would be approximately \$272 (\$2 in 2008).

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2009 and 2008.

	2009				
	Carrying amount \$	Contractual cash flows \$	Less than a year \$	Between 1 and 2 years \$	More than 2 years \$
Trades payable and accrued liabilities	69,388	69,388	69,388	-	-
Distributions payable to unitholders	15,619	15,619	15,619	-	-
Balances of purchase price payable, including current portion	7,068	7,288	5,369	937	982
Long-term debt, including current portion	6,000	7,449	480	507	6,462
	98,075	99,744	90,856	1,444	7,444

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

			2008		
	Carrying amount \$	Contractual cash flows \$	Less than a year \$	Between 1 and 2 years \$	More than 2 years \$
Trades payable and accrued liabilities	61,586	61,586	61,586	-	-
Advances payable to the non-controlling unitholder	426	436	436	-	-
Distributions payable to unitholders	13,429	13,429	13,429	-	-
Balances of purchase price payable, including current portion	13,763	13,966	13,966	-	-
Long-term debt, including current portion	1,884	1,980	1,720	130	130
Bank advances	10,668	11,571	-	-	11,571
	<u>101,756</u>	<u>102,968</u>	<u>91,137</u>	<u>130</u>	<u>11,701</u>

As at December 31, 2009 and 2008, the Fund had unused credit facilities of \$81,592 and \$71,029, net of outstanding letters of credit of \$408 and \$303, and cash and cash equivalents of \$51,887 and \$14,709.

24 Commitments and contingencies

The Fund is bound by lease commitments for office premises and equipment. Minimum payments required during the next five fiscal years ending December 31 and thereafter, amount to \$15,107 in 2010, \$13,145 in 2011, \$11,034 in 2012, \$9,295 in 2013, \$8,619 in 2014 and \$22,731 thereafter.

The Fund is currently facing legal proceedings for work carried out in the normal course of its business. Management believes that most of the claims are unfounded; however, the outcome cannot be predicted with certainty. The Fund takes out a professional liability insurance policy in order to manage the risks related to such proceedings. Based on advice and information provided by its legal advisors and on its experience in the settlement of similar proceedings, management believes that the Fund has accounted for sufficient provisions in that regard and that the final settlement should not exceed the insurance coverage significantly or should not have a material effect on the financial position or operating results of the Fund.

GENIVAR Income Fund

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

25 Employee future benefits

The Fund participates in defined contribution retirement savings plans. Pursuant to these plans, the Fund pays a contribution equivalent to the employee contribution up to a maximum varying from 3% to 5% of the employee's salary. An employee acquires the whole employer contributions after two years of continuous service or if he loses his job due to a layoff resulting from a lack of work. The Fund's portion of the contributions, net of repayments received following the departure of employees having non-vested contributions, amounts to \$3,618 and \$2,181 respectively for the years ended December 31, 2009 and 2008.

26 Segment information

(a) Major customers

As at December 31, 2009 and 2008, no customers represented more than 10% of the Fund's consolidated revenues.

(b) Segmented information

The Fund is organized into geographic areas. Market segments are analyzed by the Fund's management in certain geographic areas but not in all of them. Accordingly, the Fund defined its segments as the following geographic areas: Quebec, Ontario, Western Canada, and International.

The geographic areas provide the same nature of services and serve similar clients in similar industries. Each of them provides its clients with the same complete range of specialized services, viewed as convergent disciplines by the Fund's management: Building, Municipal Infrastructures, Transportation, Industrial and Energy and Environment. The geographic areas present similar long-term financial performance and the same long-term economic conditions and characteristics. The Fund's management aggregates its geographic areas into one reporting segment.

(c) Geographic areas

The following revenues have been allocated to geographic regions based on the country in which the majority of the projects have been realized.

	2009 \$	2008 \$
Canada	438,756	355,829
Trinidad and Tobago	23,932	21,170
Other	15,236	10,804
	<hr/> 477,924	<hr/> 387,803

GENIVAR Income Fund

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

(in thousands of dollars, except the number of units and per unit data and unless otherwise stated)

Property, plant and equipment, intangible assets and goodwill are mainly associated with activities in Canada.

27 Subsequent events

In February 2010, the Fund acquired all the assets and liabilities of Cook and Thompson, two Ontario multidisciplinary consulting engineering firms.