



March 30, 2008, to June 28, 2008, period

# Interim consolidated financial statements

Unaudited

# **GENIVAR Income Fund**

Interim Consolidated Financial Statements  
(unaudited)  
**June 28, 2008**

(in thousands of dollars)

# GENIVAR Income Fund

## Interim Consolidated Balance Sheet

(in thousands of dollars)

	As at June 28, 2008 \$ (unaudited)	As at December 31, 2007 \$ (audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,976	12,855
Accounts receivable (notes 5 and 12)	81,102	75,016
Income taxes receivable	154	65
Costs and anticipated profits in excess of billings (note 5)	43,638	27,523
Advances to companies controlled by the non-controlling unitholder	20	20
Prepaid expenses	2,363	1,069
	<hr/>	<hr/>
	142,253	116,548
<b>Property, plant and equipment</b>	26,259	17,141
<b>Intangible assets</b> (note 3)	66,401	45,585
<b>Goodwill</b> (note 4)	141,914	126,698
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	376,827	305,972
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 12)	48,740	41,629
Advances payable to the non-controlling unitholder	430	224
Income taxes payable	320	235
Billings in excess of costs and anticipated profits	19,125	17,567
Future income tax liabilities	904	859
Distributions payable to unitholders	2,568	2,568
Current portion of balances of purchase prices payable	8,894	1,710
Current portion of long-term debt	1,246	-
	<hr/>	<hr/>
	82,227	64,792
<b>Balances of purchase prices payable</b>	3,000	-
<b>Long-term debt</b>	1,203	-
<b>Bank advances</b> (note 5)	41,422	-
<b>Future income tax liabilities</b>	1,623	1,923
<b>Non-controlling interest</b> (note 6)	96,664	93,507
	<hr/>	<hr/>
	226,139	160,222
<b>Unitholders' Equity</b>		
<b>Fund units</b> (note 7)	146,217	146,233
<b>Contributed surplus</b>	138	-
<b>Retained earnings (deficit)</b>	4,333	(483)
	<hr/>	<hr/>
	150,688	145,750
	<hr/>	<hr/>
	376,827	305,972
<b>Commitments</b> (note 14)		

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

Approved by the Trustees

(signed) Pierre Shoiry \_\_\_\_\_ Trustee

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(signed) Pierre Seccareccia \_\_\_\_\_ Trustee

# GENIVAR Income Fund

## Interim Consolidated Statements of Retained Earnings and Contributed Surplus (unaudited)

(in thousands of dollars)

	<u>Six-month periods ended</u>	
	<b>June 28, 2008</b>	<b>June 30, 2007</b>
	\$	\$
<b>Deficit – Beginning of period</b>	(483)	(278)
Net earnings for the period	11,264	5,275
Declared distributions to unitholders	(6,448)	(5,498)
<b>Retained earnings (deficit) – End of period</b>	<u>4,333</u>	<u>(501)</u>
	<u>Six-month periods ended</u>	
	<b>June 28, 2008</b>	<b>June 30, 2007</b>
	\$	\$
<b>Contributed surplus – Beginning of period</b>	-	-
Compensation costs under the Long-Term Incentive Plan (“LTIP”)	138	138
<b>Contributed surplus – End of period</b>	<u>138</u>	<u>138</u>

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

# GENIVAR Income Fund

## Interim Consolidated Statements of Earnings and Comprehensive Income (unaudited)

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

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$
<b>Revenues</b>	97,348	63,791	167,435	118,134
<b>Costs</b>	56,908	39,213	97,029	72,480
<b>Gross margin</b>	40,440	24,578	70,406	45,654
<b>Expenses</b>				
Marketing, general and administrative	23,166	14,700	41,359	27,683
Depreciation of property, plant and equipment	1,033	677	1,887	1,276
Amortization of intangible assets	3,783	2,501	7,223	4,959
Net interest expense (note 10)	554	446	645	727
Exchange loss (gain)	(151)	287	(226)	304
	28,385	18,611	50,888	34,949
<b>Earnings before income taxes and non-controlling interest</b>	12,055	5,967	19,518	10,705
<b>Income tax expense</b>				
Current	1,022	188	1,120	263
Future	(5)	1,299	(255)	1,365
	1,017	1,487	865	1,628
<b>Earnings before non-controlling interest</b>	11,038	4,480	18,653	9,077
<b>Non-controlling interest</b> (note 6)	(4,372)	(1,877)	(7,389)	(3,802)
<b>Net earnings and comprehensive income for the period</b>	6,666	2,603	11,264	5,275
Basic net earnings per unit	0.52	0.24	0.88	0.48
Weighted average number of units (note 9)	12,870,364	10,992,394	12,870,512	10,996,176
Diluted net earnings per unit (note 9)	0.52	0.24	0.88	0.48
Diluted weighted average number of units (note 9)	21,350,781	18,920,619	21,350,786	18,923,981

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

# GENIVAR Income Fund

## Interim Consolidated Statement of Cash Flows (unaudited)

(in thousands of dollars)

	Three-month periods ended		Six-month periods ended	
	June 28, 2008 \$	June 30, 2007 \$	June 28, 2008 \$	June 30, 2007 \$
<b>Cash flows from operating activities</b>				
Net earnings for the period	6,666	2,603	11,264	5,275
Items not affecting cash and cash equivalents				
Depreciation and amortization	4,816	3,178	9,110	6,235
Compensation costs under the LTIP	69	69	138	138
Future income taxes	(5)	1,299	(255)	1,365
Non-controlling interest	4,372	1,877	7,389	3,802
	15,918	9,026	27,646	16,815
Change in non-cash working capital items (note 11(a))	(7,964)	(5,014)	(12,301)	(11,149)
	7,954	4,012	15,345	5,666
<b>Cash flows from financing activities</b>				
Repayment of balances of purchase prices payable	(4,986)	(108)	(6,258)	(108)
Variation in advances payable to the non-controlling unitholder	231	(426)	119	(900)
Long-term debt contracted	-	-	58	-
Repayment of long-term debt	(707)	-	(854)	-
Distributions paid to unitholders	(3,224)	(2,749)	(6,448)	(5,498)
Distributions paid to the non-controlling unitholder	(2,116)	(2,513)	(4,232)	(3,962)
Bank advances contracted	10,143	612	41,088	16,414
Purchase of units in the market under the LTIP	-	(825)	-	(825)
Distributions reinvested in units under the LTIP	(8)	-	(16)	-
	(667)	(6,009)	23,457	5,121
<b>Cash flows from investing activities</b>				
Business acquisitions, less cash acquired (note 2)	(5,219)	(1,225)	(32,143)	(11,385)
Variation in advances to companies controlled by the non-controlling unitholder	-	(68)	-	23
Additions to property, plant and equipment (note 11(b))	(2,048)	(2,013)	(3,036)	(3,786)
Proceeds from disposal of property, plant and equipment	43	-	68	449
Acquisition of software (note 11(b))	(628)	(376)	(1,570)	(1,208)
	(7,852)	(3,682)	(36,681)	(15,907)
<b>Net change in cash and cash equivalents</b>	(565)	(5,679)	2,121	(5,120)
<b>Cash and cash equivalents – Beginning of period*</b>	15,541	8,745	12,855	8,186
<b>Cash and cash equivalents – End of period</b>	14,976	3,066	14,976	3,066
<b>Additional information</b>				
Interest paid	565	338	678	513
Interest received	(38)	(6)	(68)	(20)
Income taxes paid	2,078	217	2,289	267

\* Cash and cash equivalents as at December 31, 2006, consist of cash and cash equivalents and cash held in trust.

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

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

## 1 Summary of significant accounting policies

### Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and use the same accounting policies and methods used in the preparation of the Fund’s most recent annual consolidated financial statements, except for the new accounting policies as disclosed further. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should therefore be read in conjunction with the Fund’s most recent audited annual consolidated financial statements.

The financial information as at June 28, 2008, is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of this period have been included. The adjustments made were of a normal and recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

### Changes in accounting policies

On January 1, 2008, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“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 new disclosures are included in note 8.
- 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 new disclosures are included in note 13.
- 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.”

The Fund adopted these new recommendations prospectively. These sections relate to disclosure and presentation only and did not have any impacts on the Fund’s consolidated results or financial position.

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

## Income taxes

Before June 12, 2007, under the terms of the *Income Tax Act* (Canada), the Fund was not subject to income taxes to the extent that its taxable income in a year was paid or payable to a unitholder. Accordingly, no provision for current income taxes for the Fund was made. In addition, the Fund was not subject to the recommendations of CICA Handbook Section 3465, "Income Taxes" regarding future income tax recognition as the Fund was contractually committed to distributing to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable in the Fund.

The future income tax provision included in the Fund's consolidated financial statements before June 12, 2007, reflects only those temporary differences expected to reverse within two of the Fund's operating subsidiaries subject to CICA Handbook Section 3465 and to corporate income taxes as computed under the prescribed legislation.

On June 12, 2007, draft legislative proposals to implement a tax on distributions from publicly traded income trusts and partnerships passed third reading in the House of Commons and received Royal Assent on June 22, 2007 (Bill C-52). The Bill contained what has become known as the "SIFT Rules" to bring these tax changes into force. Since the second quarter of 2007, the Fund accounts for future income taxes. The cumulative effect of estimated future income taxes is based on existing temporary differences that are expected to reverse from January 1, 2011, when the new tax 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 based on a stand-alone basis. A 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.

## Future accounting standards

### Goodwill and intangible assets

The CICA published the new Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs," which is effective for the Fund for interim and annual financial statements beginning on January 1, 2009. This section established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Fund has not yet completed its assessment of the effect of this new standard on its consolidated financial statements.

### International Financial Reporting Standards

The Accounting Standards Board (AcSB) has confirmed that the Canadian GAAP, as used by public companies, will be converged to International Financial Reporting Standards (IFRS) over a transition period that is expected to be completed by 2011.

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

While the Fund has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 2 Business acquisitions

The acquisitions have been accounted for using the purchase method, and the operating results have been included in the interim consolidated financial statements from the date of acquisition. Upon a change in the purchase price, the net assets acquired and the balance 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.

The purchase price allocations of the following business acquisitions for the year 2007, namely NCE, SEG, Harmer, TERRA, ASA, VIZ and BHM, are preliminary, but the Fund does not anticipate any significant changes upon the finalization of the evaluation of the intangible assets in the final purchase price allocations.

### Acquisitions made by the Fund during the six-month period ended June 28, 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 previously owned by GENIVAR inc. On the same day, GENIVAR inc. had acquired all the outstanding shares of TL (note 12).
- 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 previously owned by GENIVAR inc. On the same day, GENIVAR inc. had acquired all the outstanding shares of RFA (note 12).
- On January 31, 2008, the Fund acquired all the assets and liabilities of Phoenix Engineering (“Phoenix”), a Western Canada-based wind power consulting firm previously owned by GENIVAR inc. On the same day, GENIVAR inc. had acquired all the outstanding shares of Phoenix (note 12).
- 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 Doucet & Associés Conseils (Québec) (“DAC”), a Quebec-based telecommunications and utilities infrastructure engineering and consulting firm previously owned by GENIVAR inc. On the same day, GENIVAR inc. had acquired all the outstanding shares of DAC (note 12).
- On June 1, 2008, the Fund acquired all the assets and liabilities of Bullock Baur Associates (“BBA”), a British Columbia-based civil and municipal engineering firm previously owned by GENIVAR inc. On the same day, GENIVAR inc. had acquired all the outstanding shares of BBA (note 12).

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

The purchase price allocations of TL, RFA, Phoenix, EXH, DAC, and BBA are preliminary, but the Fund does not anticipate any significant changes upon the finalization of the evaluation of the intangible assets in the final purchase price allocations.

	EXH \$	Others* \$	Total \$
Assets acquired			
Current assets			
Cash	2,867	156	3,023
Accounts receivable	6,044	6,468	12,512
Costs and anticipated profits in excess of billings	636	1,157	1,793
Prepaid expenses	253	162	415
	<u>9,800</u>	<u>7,943</u>	<u>17,743</u>
Property, plant and equipment	6,798	911	7,709
Intangible assets			
Finite useful life			
Software	201	120	321
Customer relationships	10,820	7,162	17,982
Contract backlogs	4,843	1,425	6,268
Non-competition agreements	800	520	1,320
	<u>33,262</u>	<u>18,081</u>	<u>51,343</u>
Liabilities assumed			
Current liabilities			
Bank advances	-	(334)	(334)
Accounts payable and accrued liabilities	(6,347)	(4,038)	(10,385)
Billings in excess of costs and anticipated profits	-	(248)	(248)
Income taxes payable	(1,165)	-	(1,165)
Advances payable to the non-controlling unitholder	-	(87)	(87)
Current portion of long-term debt	(920)	(794)	(1,714)
	<u>(8,432)</u>	<u>(5,501)</u>	<u>(13,933)</u>
Long-term debt	(1,528)	-	(1,528)
	<u>(9,960)</u>	<u>(5,501)</u>	<u>(15,461)</u>
Net identifiable assets acquired	23,302	12,580	35,882
Goodwill**	9,960	5,766	15,726
Purchase price	33,262	18,346	51,608
Less:			
Cash acquired	(2,867)	(156)	(3,023)
Balances of purchase prices payable	(13,034)	(3,408)	(16,442)
Net cash used for the acquisitions	<u>17,361</u>	<u>14,782</u>	<u>32,143</u>

\* "Others" include TL, RFA, Phoenix, DAC and BBA.

\*\* Goodwill is deductible for income tax purposes.

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

## 3 Intangible assets

			As at June 28, 2008	As at December 31, 2007
	Cost \$	Accumulated amortization \$	Net value \$ (unaudited)	Net value \$ (audited)
Finite useful life				
Software	6,062	1,896	4,166	2,815
Customer relationships	54,688	5,865	48,823	32,608
Contract backlogs	20,311	14,200	6,111	3,765
Non-competition agreements	4,041	1,340	2,701	1,797
Indefinite useful life				
Trade name	4,600	-	4,600	4,600
	<u>89,702</u>	<u>23,301</u>	<u>66,401</u>	<u>45,585</u>

During the six-month period ended June 28, 2008, the Fund acquired intangible assets amounting to \$27,529, subject to amortization and allocated an amount of \$510 from goodwill to intangible assets as a result of an adjustment to a preliminary purchase price allocation.

## 4 Goodwill

	\$
Balance as at December 31, 2007	126,698
Goodwill resulting from business acquisitions (note 2)	15,726
Allocation of goodwill to intangible assets, as a result of an adjustment to a preliminary purchase price allocation	<u>(510)</u>
Balance as at June 28, 2008	<u>141,914</u>

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

## 5 Credit facilities

The Fund has credit facilities totalling \$82,000 allocated as follows:

### *Term facility*

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

### *Treasury facility*

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

These credit facilities have a three-year term and mature in May 2011. 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 and bear interest at prime rate, US base rate or LIBOR plus an applicable margin that will vary depending on the type of advance and total consolidated debt to earnings before interest, income taxes, depreciation and amortization ratio, as defined in the agreement.

Under these credit facilities, GENIVAR Limited Partnership ("GENIVAR LP"), a Fund's subsidiary, is required, among other conditions, to respect certain covenants, which are described in note 8.

As at June 28, 2008, the Fund issued, in the normal course of business, irrevocable letters of credit totalling \$830 for its own commitments, thus decreasing such available credit facilities.

## 6 Non-controlling interest

As at June 28, 2008, the non-controlling interest is as follows:

	<b>Non-Subordinated Exchangeable LP Units</b>		<b>Subordinated Exchangeable LP Units</b>		<b>Total</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
Balance as at December 31, 2007	3,732,121	44,291	4,731,845	49,216	8,463,966	93,507
Share in earnings attributable to the non-controlling unitholder	-	3,258	-	4,131	-	7,389
Distributions	-	(1,868)	-	(2,364)	-	(4,232)
Balance as at June 28, 2008	3,732,121	45,681	4,731,845	50,983	8,463,966	96,664

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

The Non-Subordinated Exchangeable LP Units and Subordinated Exchangeable LP Units are economically equivalent to Class A LP Units held by the Trust, except that distributions on Subordinated Exchangeable LP Units will be made only at the end of the quarter provided that GENIVAR LP has made a monthly distribution of at least \$0.0833 per unit until June 2008 and \$0.1250 per unit afterwards to the holders of Class A LP Units and of Non-Subordinated Exchangeable LP Units and that any distribution deficiency during the last twelve months has been settled.

The Non-Subordinated Exchangeable LP Units will be exchangeable for units on a one-for-one basis (subject to customary anti-dilution protections). The Subordinated Exchangeable LP Units will be exchangeable for units at any time after the Subordination End Date, which is June 30, 2008, on a one-for-one basis (subject to customary anti-dilution protections).

As at June 28, 2008, an amount of \$1,493 has been accounted for as distributions payable to the non-controlling unitholder.

## 7 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.

Issued and paid

	<b>Number of units</b>			
	<b>Issued</b>	<b>Held by a trustee under the LTIP</b>	<b>Total</b>	<b>\$</b>
Balance as at December 31, 2007	12,902,439	(31,634)	12,870,805	146,233
Distributions reinvested in units under the LTIP	-	(630)	(630)	(16)
Balance as at June 28, 2008	12,902,439	(32,264)	12,870,175	146,217

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

## *Special Voting Units*

The Special Voting Units will not be entitled to any right to 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 Non-Subordinated Exchangeable LP Units, Subordinated Exchangeable LP Units of GENIVAR LP 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 Non-Subordinated Exchangeable LP Units or Subordinated 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 Non-Subordinated Exchangeable LP Units or Subordinated 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.

Upon the exchange of the Non-Subordinated Exchangeable LP Units or Subordinated 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 Non-Subordinated Exchangeable LP Unit and Subordinated Exchangeable LP Unit issued by GENIVAR LP. As at June 28, 2008, 8,463,966 Special Voting Units are outstanding.

## **8 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 each year to the unitholders an appropriate distribution.

# GENIVAR Income Fund

Notes to Interim Consolidated Financial Statements (unaudited)

June 28, 2008

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

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

	As at June 28, 2008 \$ (unaudited)	As at December 31, 2007 \$ (audited)
Cash and cash equivalents	(14,976)	(12,855)
Balances of purchase prices payable, including current portion	11,894	1,710
Long-term debt, including current portion	2,449	-
Bank advances	41,422	-
Letters of credit (note 5)	830	348
Non-controlling interest	96,664	93,507
	<hr/> 138,283	<hr/> 82,710
Unitholders' equity	<hr/> 150,688	<hr/> 145,750
	<hr/> <hr/> 288,971	<hr/> <hr/> 228,460

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

The Fund's financial strategy is defined to maintain a flexible structure consistent with the objectives stated above, to respond adequately to change in economic conditions and to permit the growth by business acquisitions. In order to adjust its capital structure, the Fund may issue new units in the market, contract bank advances and negotiate new credit facilities.

In order for the Fund to retain the benefit of the deferred application of the new tax regime described in note 1, the amount of new equity that the Fund may issue is limited to \$50,000 on an annual basis until 2011.

The Fund, whose objectives are to distribute to the unitholders its taxable income and to use any excess of income to manage the growth, monitors capital using the standardized and adjusted payout ratios:

- Standardized payout ratio is defined as aggregate cash distributions divided by standardized distributable cash. 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 six-month period ended June 28, 2008, the standardized distributable cash and the standardized payout ratio amount respectively to \$10,739 and 99.5%.

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- 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. For the six-month period ended June 28, 2008, the adjusted distributable cash and the adjusted payout ratio amount respectively to \$23,040 and 46.4%.

The Fund is indirectly subject to a number of covenants and restrictions under the credit facilities, including the requirements to meet certain financial ratios calculated on the GENIVAR LP consolidated financial statements, which are described hereafter:

- Funded debt to consolidated EBITDA ratio

Funded debt is calculated as obligations under advances payable to the non-controlling unitholder, letters of credit, balances of purchase prices payable including current portion, long-term debt including current portion and bank advances, net of cash and cash equivalents.

Consolidated EBITDA is calculated as earnings before interest, tax, depreciation and amortization. EBITDA is not an earnings measure in accordance with GAAP.

- Fixed charge coverage ratio

The fixed charge coverage ratio is defined as the consolidated earnings before interest and tax ("EBIT") divided by total interest expense.

- Working capital

The working capital is defined as current assets less current liabilities.

As at June 28, 2008, all financial ratios have been met.

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

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## 9 Earnings per unit

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

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<b>June 28, 2008</b>	<b>June 30, 2007</b>	<b>June 28, 2008</b>	<b>June 30, 2007</b>
	\$	\$	\$	\$
Basic net earnings	6,666	2,603	11,264	5,275
Non-controlling interest	4,372	1,877	7,389	3,802
Diluted net earnings	11,038	4,480	18,653	9,077

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

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<b>June 28, 2008</b>	<b>June 30, 2007</b>	<b>June 28, 2008</b>	<b>June 30, 2007</b>
Weighted average number of:				
Units outstanding – basic	12,870,364	10,992,394	12,870,512	10,996,176
LTIP awards	16,451	844	16,308	424
Exchangeable LP units (note 6)	8,463,966	7,927,381	8,463,966	7,927,381
Diluted weighted average number of units outstanding	21,350,781	18,920,619	21,350,786	18,923,981

# GENIVAR Income Fund

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## 10 Net interest expense

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$
Interest on bank advances	554	302	664	477
Interest on long-term debt	27	-	35	-
Interest on advances payable to the non-controlling unitholder	11	150	14	270
Interest income	(38)	(6)	(68)	(20)
	<u>554</u>	<u>446</u>	<u>645</u>	<u>727</u>

## 11 Statements of cash flows

(a) Change in non-cash working capital items

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$	<b>June 28, 2008</b> \$	<b>June 30, 2007</b> \$
Decrease (increase) in:				
Accounts receivable	(1,701)	(151)	6,426	(4,037)
Income taxes receivable	(85)	(21)	(89)	(28)
Costs and anticipated profits in excess of billings	(7,133)	(4,659)	(14,322)	(11,370)
Prepaid expenses	(103)	235	(879)	(688)
Increase (decrease) in:				
Accounts payable and accrued liabilities	1,955	(186)	(3,667)	4,272
Income taxes payable	(971)	(8)	(1,080)	24
Billings in excess of costs and anticipated profits	74	(224)	1,310	678
	<u>(7,964)</u>	<u>(5,014)</u>	<u>(12,301)</u>	<u>(11,149)</u>

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(b) Operating and investing activities not affecting cash and cash equivalents

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<u>June 28, 2008</u>	<u>June 30, 2007</u>	<u>June 28, 2008</u>	<u>June 30, 2007</u>
	\$	\$	\$	\$
Accounts payable and accrued liabilities for additions to property, plant and equipment	278	488	875	488
Accounts payable and accrued liabilities for acquisition of software	32	409	530	409

## 12 Related party transactions

The Fund entered into the following transactions with related parties:

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<u>June 28, 2008</u>	<u>June 30, 2007</u>	<u>June 28, 2008</u>	<u>June 30, 2007</u>
	\$	\$	\$	\$
Non-controlling unitholder				
Marketing, general and administrative expenses	(48)	(51)	(97)	(75)
Net interest expense	11	154	28	270
Companies controlled by the non-controlling unitholder				
Revenues	208	1,234	513	2,169
Costs	10	271	25	383
Additions to property plant and equipment	-	148	-	1,411
Marketing, general and administrative expenses	33	9	67	40

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

### 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

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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. During the six-month period, the Fund has acquired TL, RFA, Phoenix, DAC and BBA in this manner for a total consideration of \$17,933, excluding acquisition-related costs of \$413 assumed directly by the Fund (note 2).

The amounts due from (and to) related parties have arisen from the transactions referred to above.

## Accounts receivable

	As at June 28, 2008 \$ (unaudited)	As at December 31, 2007 \$ (audited)
Companies controlled by the non-controlling unitholder	-	406
Non-controlling unitholder	-	74
	-	480

## Accounts payable and accrued liabilities

	As at June 28, 2008 \$ (unaudited)	As at December 31, 2007 \$ (audited)
Non-controlling unitholder	22	70
Companies controlled by the non-controlling unitholder	6	37
	28	107

## 13 Financial instruments

The Fund is exposed to credit risk, foreign exchange risk, interest rate risk and liquidity risk. The following analyses provides a measurement of those risks as at June 28, 2008.

### Credit risk

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

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.

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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 based, in part, on the age of the specific receivable balance and the current and expected collection trends. A provision is established when the likelihood of collecting the account has significantly diminished. The Fund believes that the credit risk of accounts receivable is limited.

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

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 accounts are determined to be uncollectible.

## 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 June 28, 2008, the balances denominated in foreign currencies are as follows:

	<u>As at June 28, 2008</u>
	<b>Foreign currencies converted into CAN\$</b>
Current assets	23,223
Current liabilities	11,447

In order to reduce the potential negative impact of fluctuations in the Canadian dollar, the Fund has entered into foreign currency forward options to cover future sales anticipated in US dollars. Pursuant to these foreign currency forward options, the Fund is required to sell US dollars at a predetermined rate.

As at June 28, 2008, the Fund held foreign currency forward options to exchange, during the next five months, US\$250 each month at a rate of CAN\$0.984/US\$1. If the exchange rate reaches CAN\$1.04/US\$1 before the expiration date of the foreign currency forward options, all the foreign currency forward options not expired must be exercised before the expiration date. These foreign currency forward options, whose unrealized loss amounts to \$27, have been classified as liabilities.

The Fund considers that its exposure to a variation in the US, TT and Euro exchange rates is not an important currency risk because of the limited number of transactions in these currencies. The Fund could be affected by a variation in the exchange rates but will be able to continue to meet its obligations under these currencies.

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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. Based on the previous fiscal year's exchange rate changes, a 10% exchange rates change would reasonably be considered possible. Management believes that the impact on earnings of a 10% change in exchange rates would be approximately \$1,109, which is not significant for the Fund.

## Interest rate risk

The Fund is exposed to interest rate risks with regard to cash and cash equivalents, advances to companies controlled by the non-controlling unitholder, balances of purchase prices payable, advances payable to the non-controlling unitholder, long-term debt and bank advances.

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. Based on the previous fiscal year's rate changes, a 0.5% interest rate change would be considered possible. Management believes that the impact on earnings of a 0.5% change in interest rates would be approximately \$22 for the six-month period ended June 28, 2008, which is not significant for the Fund.

## 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 June 28, 2008.

	Carrying amount \$	Contractual cash flows \$	Less than a year \$	Between 1 and 2 years \$	More than 2 years \$
Accounts payable and accrued liabilities	48,740	48,740	48,740	-	-
Advances payable to the non-controlling unitholder	430	430	430	-	-
Distributions payable to unitholders	2,568	2,568	2,568	-	-
Balances of purchase prices payable	11,894	11,894	8,894	3,000	-
Long-term debt	2,449	2,449	1,246	1,203	-
Bank advances	41,422	41,422	-	-	41,422
	<u>107,503</u>	<u>107,503</u>	<u>61,878</u>	<u>4,203</u>	<u>41,422</u>

As at June 28, 2008, the Fund had unused credit facilities of \$39,748, net of outstanding letters of credit of \$830, and cash and cash equivalents of \$14,976.

The Fund is confident that the future cash flows from operations, cash and cash equivalents and availability under credit facilities will be adequate to support these financial liabilities.

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## **14 Commitments**

The Fund is bound by lease commitments for office premises and equipment. Minimum payments required during the next quarters and for each of the next five fiscal years ending December 31 and thereafter amount to \$5,036 for the next six months, \$10,113 in 2009, \$8,900 in 2010, \$8,302 in 2011, \$7,241 in 2012, \$5,852 in 2013 and \$20,339 thereafter.

## **15 Segment information**

Since the expansion of its Ontario and Western Canada operations in 2007, the Fund is organized into geographic areas. Market segments continue to be 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 the areas provides its clients with the same complete range of specialized services, viewed as convergent disciplines by the Fund's management: building, urban infrastructures, transportation, industrial, and power and environment. The Canadian operations present similar long-term financial performance and the same long-term economic conditions and characteristics, and account for more than 92.0% of all revenues. Each geographic area has comparable operating margins. Therefore, given these similarities, the Fund's management aggregates its geographic areas into one reporting segment.

