



NEWS RELEASE: Via
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FOR IMMEDIATE RELEASE
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TREE ISLAND WIRE INCOME FUND

TRADING SYMBOL: **The Toronto Stock Exchange – TIL.UN**

Tree Island Announces Fourth Quarter and Full Year 2008 Results

Tree Island Wire Income Fund (TSX: TIL.UN) will hold a conference call and webcast to discuss its fourth quarter and full year 2008 financial results on Tuesday, March 31, 2009 at 8:30 am Pacific Time (11:30 am Eastern). The call can be accessed by dialing: 1-800-766-6630 or 416-695-6617.

A replay will be available through April 9, 2009 at: 1-800-408-3053 or 416-695-5800, Passcode: 8426618

*The live and archived webcast can be accessed at:
<http://www.investorcalendar.com/IC/CEPage.asp?ID=142085>*

VANCOUVER, B.C., March 30, 2009 / Marketwire/ – Tree Island Wire Income Fund (the “Fund”) today released fourth quarter and full year 2009 financial results. The Fund’s results are based on the performance of Tree Island Industries Ltd. (“Tree Island” or “the company”) – one of North America’s largest producers of wire and fabricated wire products.

2008 Financial Overview

For the 12 months ended December 31, 2009

- Sales volumes increased 4.6% to 237,190 tons
- Revenue increased 22.2% to \$322.7 million
- Growth in commercial construction, agricultural and international trading sales offset declining demand in the residential construction market
- An unprecedented decline in global steel prices led to a fourth quarter inventory writedown of \$20.4 million, with a corresponding negative impact on gross profit, EBITDA, and distributable cash
- Net income was negatively affected by charges related to goodwill impairment, fixed asset impairment, inventory writedown and valuation adjustments to future income taxes.

“Our volumes and revenue improved in 2008, despite weaker residential construction markets and global economic events that negatively affected our fourth quarter results,” said Daniel McAtee, President and CEO of Tree Island.

“Through the first three quarters, we achieved gains in both our top and bottom-line performance as we implemented our three-step strategy, leveraged our international capabilities, expanded into new markets and continued to fine tune the profitability of our products and business activities.”

“Our fourth quarter results, by contrast, were significantly weaker both sequentially and year-over-year. This period brought a sharp reduction in demand from the residential and commercial construction markets. In addition, the 40% drop in global steel rod prices had a negative impact on fourth quarter product pricing and also resulted in our inventories being overvalued by approximately \$34 million at December 31, 2008. In accordance with GAAP, a \$20.4 million writedown of inventory was recognized during the fourth quarter, while the balance of the overvaluation is expected to negatively impact our cost of goods sold and margins in 2009. These factors had a negative impact on fourth quarter EBITDA, net income and distributable cash results, and as previously reported, put us out of compliance with our debt services covenant with our lenders. We have since renegotiated our credit agreement and implemented a number of cost-cutting actions. These include closing two of our US manufacturing facilities, reducing our total work force by more than 30%, reversing our accrued 2008 management and staff bonuses, placing new restrictions on salaries and hiring, and suspending cash distributions to our unitholders,” said Mr. McAtee. “While difficult steps, we believe these are the right actions to take in this economic environment.”

“Looking ahead, we anticipate that 2009 will be an exceptionally challenging year with elevated risks related to cash management and credit availability. Careful cash management will be one of our primary focuses, with a particular focus on inventory management. We will continue to leverage our Asian footprint and international trading capabilities to create a more flexible and faster-turning mix of raw, semi-finished and finished goods inventory.”

“While we expect demand from our traditional markets will remain weak as a result of the global recession, our efforts to expand our product lines, together with our sales push into new regional and international markets, have given us access to a larger and more diverse market. We believe this will play an important role as we work to offset declines in other areas of our business,” said Mr. McAtee.

Results from Operations (thousands of dollars except for tonnage and per unit figures)

	3 Months Ended Dec 31		12 Months Ended Dec 31	
	2008	2007	2008	2007
<i>Sales Volumes – Tons</i>	38,618	53,138	237,190	226,672
Revenue	57,823	55,858	322,743	264,164
Cost of Goods Sold	(80,547)	(53,402)	(304,152)	(233,458)
Depreciation	(2,664)	(3,443)	(10,456)	(15,396)
Gross Profit	(25,388)	(987)	8,135	15,310
<i>Gross Profit per Ton</i>	(657)	(19)	34	68
Selling, General and Administrative Expenses	(4,927)	(5,316)	(23,851)	(20,020)
Operating Profit	(30,315)	(6,303)	(15,716)	(4,710)
Foreign Exchange Gain	1,047	3,588	6,645	12,253
Financing Expenses	(1,596)	(1,314)	(5,896)	(5,059)
Gain/(Loss) on Sale of Fixed Assets	-	(99)	(24)	(101)
Amortization of Deferred Gain	140	112	495	498
Amortization of Intangible Assets	(265)	(306)	(1,120)	(566)
Goodwill Impairment	(52,128)	-	(52,128)	-
Property, Plant and Equipment Impairment	(1,720)	-	(1,720)	-
Recovery of Income Taxes	5,209	4,479	4,719	8,103
Net Income	(79,871)	157	(64,988)	10,418
Operating Profit	(30,315)	(6,303)	(15,716)	(4,710)
Add back Depreciation	2,664	3,443	10,456	15,396
EBITDA	(27,651)	(2,860)	(5,260)	10,686
Foreign Exchange Gain	1,047	3,588	6,645	12,253
EBITDA Plus Foreign Exchange Gains	(26,604)	728	1,385	22,939
Standardized Distributable Cash per Unit	(0.5270)	0.0517	(0.0539)	0.9051
Adjusted Distributable Cash per Unit	(1.1893)	0.0764	(0.1440)	0.9896
Distributable Cash Paid or Payable per Unit	0.1667	0.2500	0.9168	1.0833
Standardized Distribution Payout % (1)	-	483%	-	120%
Adjusted Distribution Payout % (1)	-	327%	-	109%
	As at December 31, 2008	As at December 31, 2007	As at December 31, 2008	As at December 31, 2007
Total Assets	203,286	241,611	203,286	241,611
Revolving Credit (Net of Cash)	64,008	43,435	64,008	43,435
Long Term Debt	-	78	-	78

(1) Distribution Payout % is calculated as distributions paid or payable per unit divided by distributable cash generated per unit.

Fourth Quarter Operating Results

For the three months ended December 31, 2008, Tree Island reported revenue of \$57.8 million, up 3.5% from \$55.9 million in the same period in 2007. This improvement primarily reflects the benefit of a weaker Canadian dollar on the conversion of US sales. The value of the Canadian dollar relative to the US dollar was 23.5% lower in Q4 2008 than during the same period in 2007.

The increase in revenue was achieved despite a 27.3% decline in sales volumes. The change in sales volumes reflects continued deterioration of the US housing market, with the US Western Region reporting a fourth quarter 44.2% year-over-year decline in housing starts (per the US Census Bureau). Tree Island's sales volumes to the residential market declined by a smaller 35.6% during the same period, with new products and regional expansion helping to offset the full impact of weaker housing starts.

Sales to the Industrial/OEM market fell by 25.6% during the quarter, due to lower demand for galvanized high carbon wire and chain link fencing, resulting from worsening economic conditions in the US. Sales to the commercial construction market declined by 31.1%, reflecting reduced demand for concrete reinforcing products and welded wire fabric as many commercial construction projects were put on hold.

The breakdown in sales volumes by market was as follows:

Market	Q4 2008 Tons (000's)	% of 2008 Sales Volumes	Q4 2007 Tons (000's)	% of 2007 Sales Volumes
Residential Construction	12.7	32.9%	19.7	37.1%
Commercial Construction	5.1	13.2%	7.4	13.9%
Industrial/OEM (Original Equipment Manufacturers)	11.9	30.8%	16.0	30.1%
Agricultural	2.8	7.3%	3.2	6.0%
Specialty	0.8	2.1%	1.2	2.3%
International Trading	5.3	13.7%	5.6	10.6%
Total	38.6	100%	53.1	100%

*International trading sales volumes include direct trading company sales only, and exclude import sales, which are reflected in sales volumes to other markets.

International trading sales continue to represent a growing share of Tree Island's sales volumes, accounting for 13.7% of total volumes in Q4 2008. Combined with import sales within the other five end-use markets, total international trading sales represented 24% of the company's sales by volume in Q4 2008, up from 14% in the fourth quarter of 2007.

Costs of good sold continued to escalate during the fourth quarter, primarily due to the \$20.4 million inventory writedown related to the sudden drop in global steel prices and to the impact of a lower Canadian dollar on inventory purchased in US dollars. Carbon rod costs (representing 41.4% of Q4 2008 cost of goods sold) increased by 138.9% per ton compared to Q4 2007. Stainless steel rod costs (representing 5.7% of Q4 2008 cost of goods sold) increased by 25.3% per ton. By contrast, the cost of zinc (representing 1.6% of cost of goods sold) decreased by 9.5% per pound. In addition, operating costs in the fourth quarter of 2008 were \$2.2 million more than in Q4 2007, due to reduced sales volumes.

Selling, general and administrative ("SG&A") expenses were \$4.9 million in the fourth quarter, down from \$5.3 million in Q4 2007. This decrease reflects lower costs resulting from a decision not to pay bonuses under the variable compensation plan, partially offset by the impact of increased sales commissions relating to the introduction of a sales commission plan, an increased allowance for doubtful debts and the negative impact of a weaker Canadian dollar on the conversion of US division costs.

Fourth quarter EBITDA, before adding foreign exchange gains, was a loss of \$27.6 million, compared to EBITDA income of \$0.7 million in Q4 2007. The change in EBITDA reflects the negative impact of the \$20.4 million inventory writedown, lower sales volumes and reduced gross profit resulting from higher raw material costs, partially offset by lower SG&A expenses and the positive impact of a weaker Canadian dollar on US-generated sales.

The Fund reported a fourth quarter net loss of \$79.9 million (loss of \$3.64 per unit), compared to net income of \$0.2 million (\$0.01 per unit) during the same period in 2007. The change in net income reflects a goodwill impairment of \$52.1 million, reflecting the Fund's weaker economic outlook, a \$20.4 million charge for writedown of inventories, a fixed asset impairment charge of \$1.7 million, the recognition of unrealized mark-to-market losses on derivatives and higher interest expense, partially offset by an increased income tax recovery.

For the three months ended December 31, 2008, the Fund reported negative distributable cash of \$1.19 per unit, and declared distributions of \$0.17 per unit. By comparison, the Fund generated positive distributable cash of \$0.08 per unit, and declared distributions of \$0.25 per unit during the same period in 2007. The decline in distributable cash reflects the negative impact of the inventory writedown and lower EBITDA, partially offset by gains on foreign exchange conversions.

Full-Year Operating Results

For the 12 months ended December 31, 2008, Tree Island generated revenue of \$322.7 million, up 22.2% from \$264.2 million in 2007. The increase in revenue reflects higher product selling prices and a 4.6% increase in sales volumes. The price increases were achieved through a series of pricing actions implemented in the second and third quarter, partially offset by price discounting in the fourth quarter related to the sharp drop in steel prices and Tree Island's actions to reduce inventories.

The increase in sales volumes is viewed as significant given the 38.9% year-over-year drop (per the US Census Bureau) in residential housing starts in the Western United States. Import products played an important role in the volume gains, with combined import and international sales accounting for 14.3% of sales volumes in 2008, up from 5.6% in 2007. Sales of imported construction products to the commercial construction market, and low carbon galvanized products to the agricultural market also increased compared to 2007 as the company introduced new products and expanded sales activities into new regional markets.

The breakdown of sales volumes by market was as follows:

Market	2008 Tons (000's)	% of 2008 Sales Volumes	2007 Tons (000's)	% of 2007 Sales Volumes
Residential Light Construction	86.7	36.5%	101.4	44.8%
Commercial Construction	23.0	9.7%	20.9	9.2%
Industrial – OEM (Original Equipment Manufacturers)	68.0	28.7%	68.1	30.1%
Agricultural	20.8	8.8%	18.9	8.3%
Specialty	4.7	2.0%	4.6	2.0%
International Trading	34.0	14.3%	12.8	5.6%
Total	237.2	100.0%	226.7	100.0

*International trading sales include direct trading company sales only, and exclude import sales, which are reflected in sales volumes to other markets.

Raw material costs increased substantially through the first three quarters of 2008 before declining precipitously in the fourth quarter following the collapse of global steel prices. The resulting \$20.4 million writedown, together with the higher costs for raw materials in the first three quarters of the year, resulted in a significant increase in 2008 cost of goods sold.

SG&A expenses for the full year totaled \$23.9 million, compared to \$20.0 million in 2007. The increase reflects \$1.6 million in costs relating to the special meeting, higher selling costs during the first three quarters due to the introduction of a sales commission plan, costs related to the implementation of strategic initiatives, costs relating to the addition of a full year of the operations from the Baoan acquisitions, as well as costs relating to CSOX.

The Fund reported an EBITDA loss, before foreign exchange gains, of \$5.3 million, compared to EBITDA income of \$10.7 million in 2007. The change in EBITDA primarily reflects the impact of the \$20.4 million inventory writedown, higher raw material costs and increased SG&A costs, partially offset by higher volumes and selling prices.

The Fund reported a net loss of \$65.0 million for the 12 months ended December 31, 2008, compared to net income of \$10.4 million in 2007. The loss reflects a goodwill impairment charge of \$52.1 million and a fixed asset impairment of \$1.7 million, the \$20.4 million inventory writedown, and a reduced gain on foreign exchange conversions, partially offset by an income tax recovery of \$4.7 million.

For the 12 months ended December 31, 2008, the Fund reported negative distributable cash of \$0.14 per unit, and declared distributions of \$0.92 per unit. By comparison, the Fund generated positive distributable cash of \$0.99 per unit, and declared distributions of \$1.08 per unit in 2007. The Fund reduced distributions in November 2008 and subsequently suspended them in January 2009.

Outlook

Tree Island believes that its business risk has increased as a result of macro-economic conditions. In particular, the ability of Tree Island to secure credit in order to finance operations has been hampered in the current tight credit environment. In addition, the Fund's ability to manage foreign exchange risk has been reduced and the Fund is expecting to be subject to greater exchange rate volatility. To help address these challenges, Tree Island will continue to focus on aggressive cost reduction and careful supply chain management as it manages cash flow on a day-to-day basis.

Residential construction and industrial/OEM markets are expected to remain weak throughout 2009 as a result of the collapse of the US housing market and the ongoing impacts of the global recession. Sales to the commercial construction market are also expected to decline through the first nine months, but could begin to normalize late in the year as government stimulus packages support infrastructure projects. Tree Island produces a number of infrastructure-related products including structural reinforcing and wire rope products used in highway and bridge construction.

Demand from the agricultural and specialty markets is expected to remain relatively stable through 2009. In addition, the company expects to further expand international sales in 2009 as it pursues market opportunities through its international trading operations.

Inventory overvaluation related to the fourth quarter 2008 drop in commodity prices is expected to have a continued negative impact on the Fund's profitability in 2009 as affected inventory works its way through the system. Tree Island has begun to implement alternate strategies for managing inventories, with the objective of creating a more flexible and faster-turning mix of raw, semi-finished and finished goods. This includes continuing to shift the balance of manufactured versus sourced products as the company takes advantage of its international trading capabilities and the flexibility they provide. While these strategies are expected to help Tree Island better manage its inventory size and costs, volatility in commodity prices could continue to have a negative impact on future margins and profitability.

Overall, management expects markets and margins will remain challenged in 2009 and will conduct business accordingly. While maintaining a primary focus on cash management and cost reduction, the company will also pursue strategic opportunities in its diverse geographic and end-use markets.

Tree Island Profile

Headquartered in Richmond, British Columbia, Tree Island Industries produces wire products for a diverse range of construction, agricultural, manufacturing and industrial applications. Its products include bright wire, stainless steel wire and galvanized wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products, engineered structural mesh, fencing and other fabricated wire products. The company markets these products under the Tree Island, TI Imports and HK Universe brand names. Tree Island also owns and operates a Hong Kong-based trading company that provides internationally sourced products to Tree Island and its customers worldwide.

Non-GAAP Measures

References in this news release to "EBITDA" are to operating profit plus depreciation. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Management believes that EBITDA is an important supplemental measure in evaluating the Fund's performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Tree Island's method of calculating EBITDA may differ from methods used by other issuers and, accordingly, Tree Island's EBITDA may not be comparable to similar measures presented by other issuers.

"Distributable cash" is also not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as this Fund, use distributable cash as an indicator of financial performance and ability to fund distributions. We define distributable cash as net cash from operating activities less all capital expenditures, plus the change in non-cash operating assets and liabilities, plus non-maintenance capital expenditures, plus the 2006 pre-tax proceeds on the sale of a property option (the tax provision for these proceeds on sale is included in the net cash provided from operating activities). Changes in non-cash operating assets and liabilities and non-maintenance capital expenditures are added back in the calculation of distributable cash because they are funded through the Fund's committed credit facilities. Tree Island's distributable cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in units.

The Fund defines maintenance capital expenditures as cash outlays required to maintain our plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

Forward-Looking Statements

This press release includes forward-looking information with respect to the Fund and the company, including their business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the risks and uncertainties discussed under the heading "Risk Factors" in the Fund's annual information form and management discussion and analysis for the year ended December 31, 2008.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Such risks and uncertainties include, but are not limited to: general economic conditions and markets and, in particular, the potential impact of the current economic downturn, risks associated with operations such as competition, dependence on the construction industry, market conditions for the company's products, supplies of and costs for its raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in working capital position, the impact on liquidity if the Fund were to go offside of covenants in its debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices, operations in a foreign country, and other risks and uncertainties set forth in the Fund's publicly filed materials.

This press release has been reviewed by the Fund's Board of Trustees, and its Audit Committee, and contains information that is current as of the date of this press release, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.



Interim Consolidated Financial Statements of

TREE ISLAND WIRE INCOME FUND

December 31, 2008

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Balance Sheets

(In thousands of dollars)

	As at December 31 2008	As at December 31 2007
Assets		
<i>Current</i>		
Cash	\$ 1,201	\$ 6,032
Accounts receivable	25,094	22,641
Income and other taxes receivable	5,018	4,144
Inventories (note 6)	106,563	88,499
Prepaid expenses	4,010	2,902
Future income taxes	116	2,467
	<u>142,002</u>	<u>126,685</u>
<i>Property, plant and equipment (note 7)</i>	54,980	62,233
<i>Intangible assets</i>	6,304	6,259
<i>Goodwill (note 8)</i>	-	46,434
	<u>\$ 203,286</u>	<u>\$ 241,611</u>
Liabilities		
<i>Current</i>		
Revolving credit (note 9)	\$ 65,209	\$ 49,467
Accounts payable and accrued liabilities	66,783	44,765
Income taxes payable	963	-
Interest payable	495	418
Current portion of long-term debt	-	78
	<u>133,450</u>	<u>94,728</u>
<i>Deferred gain on sale of option</i>	4,471	4,066
<i>Other non-current liabilities</i>	207	421
<i>Future income taxes</i>	4,140	7,591
	<u>142,268</u>	<u>106,806</u>
<i>Contingent liabilities and commitments (note 14)</i>		
Unitholders' Equity	<u>61,018</u>	<u>134,805</u>
	<u>\$ 203,286</u>	<u>\$ 241,611</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND
Interim Consolidated Statements of Operations
(In thousands of dollars, except units and per unit amounts)

	Three Months Ended		Three Months Ended		Twelve Months Ended		Twelve Months Ended	
	December 31, 2008		December 31, 2007		December 31, 2008		December 31, 2007	
Sales	\$	57,823	\$	55,858	\$	322,743	\$	264,164
Cost of goods sold (note 6)		80,547		53,402		304,152		233,458
Depreciation		2,664		3,443		10,456		15,396
Gross (loss) profit		(25,388)		(987)		8,135		15,310
Selling, general and administrative expenses		4,927		5,316		23,851		20,020
Operating loss		(30,315)		(6,303)		(15,716)		(4,710)
Foreign exchange gain		1,047		3,588		6,645		12,253
Loss on sale of fixed property, plant and equipment		-		(99)		(24)		(101)
Goodwill impairment (note 8)		(52,128)		-		(52,128)		-
Property, plant and equipment impairment (note 7)		(1,720)		-		(1,720)		-
Amortization of intangible assets		(265)		(306)		(1,120)		(566)
Amortization of deferred gain		140		112		495		498
Unrealized loss on derivatives		(243)		-		(243)		-
Financing expenses		(1,596)		(1,314)		(5,896)		(5,059)
(Loss) income before income taxes		(85,080)		(4,322)		(69,707)		2,315
Recovery of income taxes (note 12)		5,209		4,479		4,719		8,103
Net (loss) income for the period	\$	(79,871)	\$	157	\$	(64,988)	\$	10,418
Net (loss) income per unit - basic	\$	(3.64)	\$	0.01	\$	(2.96)	\$	0.48
Net (loss) income per unit - diluted	\$	(3.64)	\$	0.01	\$	(2.96)	\$	0.47
Weighted-average number of units - basic		21,960,447		21,918,400		21,953,784		21,918,400
Weighted-average number of units - diluted		21,960,447		22,061,265		21,953,784		21,997,732

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND
Interim Consolidated Statements of Comprehensive Income
(In thousands of dollars)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
Net (loss) income for the period	\$ (79,871)	\$ 157	\$ (64,988)	\$ 10,418
Other comprehensive income (loss)				
Unrealized income (loss) on translating financial statements of self-sustaining operations	8,043	(560)	11,706	(8,857)
Related income tax (recovery) expense	(621)	(179)	(892)	694
Other comprehensive income (loss)	<u>7,422</u>	<u>(739)</u>	<u>10,814</u>	<u>(8,163)</u>
Comprehensive (loss) income for the period	<u>\$ (72,449)</u>	<u>\$ (582)</u>	<u>\$ (54,174)</u>	<u>\$ 2,255</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Statements of Unitholders' Equity (Unaudited)

(In thousands of dollars)

	Unitholders' Capital	Contributed Surplus	Accumulated Earnings	Distributions	Accumulated Other Comprehensive Loss	Total for twelve months ended December 31, 2008	Total for twelve months ended December 31, 2007
Balance, beginning of period	\$ 209,857	\$ 589	\$ 94,057	\$ (138,917)	\$ (30,781)	\$ 134,805	\$ 155,753
Activity for the three months ended March 31	317	(205)	534	(5,510)	1,991	(2,873)	(4,458)
	<u>210,174</u>	<u>384</u>	<u>94,591</u>	<u>(144,427)</u>	<u>(28,790)</u>	<u>131,932</u>	<u>151,295</u>
Activity for the three months ended June 30	-	189	9,005	(5,542)	(127)	3,525	(5,478)
	<u>210,174</u>	<u>573</u>	<u>103,596</u>	<u>(149,969)</u>	<u>(28,917)</u>	<u>135,457</u>	<u>145,817</u>
Activity for the three months ended September 30	-	206	5,344	(5,550)	1,528	1,528	(5,041)
	<u>210,174</u>	<u>779</u>	<u>108,940</u>	<u>(155,519)</u>	<u>(27,389)</u>	<u>136,985</u>	<u>140,776</u>
Activity for the three months ended December 31	-	199	(79,871)	(3,717)	7,422	(75,967)	(5,971)
Balance, end of period	<u>\$ 210,174</u>	<u>\$ 978</u>	<u>\$ 29,069</u>	<u>\$ (159,236)</u>	<u>\$ (19,967)</u>	<u>\$ 61,018</u>	<u>\$ 134,805</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Statements of Cash Flows (In thousands of dollars)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
Cash flows from operating activities				
Net (loss) income for the period	\$ (79,871)	\$ 157	\$ (64,988)	\$ 10,418
Items not involving cash				
Depreciation	2,664	3,443	10,456	15,396
Unrealized loss on derivatives	243	-	243	-
Loss on disposal of property, plant and equipment	-	99	24	101
Amortization of deferred charges	95	93	357	430
Amortization of intangible assets	265	306	1,120	566
Deferred financing fees written off	-	39	-	178
Amortization of deferred gain	(140)	(113)	(495)	(498)
Property, plant and equipment impairment (note 7)	1,720	-	1,720	-
Goodwill impairment (note 8)	52,128	-	52,128	-
Future income taxes	(2,544)	(2,232)	(2,843)	(4,495)
Unit-based compensation	142	90	514	542
	<u>(25,298)</u>	<u>1,882</u>	<u>(1,764)</u>	<u>22,638</u>
Change in non-cash operating assets and liabilities				
Accounts receivable	18,690	4,338	(2,453)	4,647
Inventories, net of write-down (note 6)	22,154	(8,811)	(18,159)	9,914
Accounts payable and accrued liabilities	(24,989)	6,737	21,400	(9,092)
Income and other taxes	(2,273)	(2,331)	594	(2,946)
Other	1,022	(469)	717	(3,128)
Total change in non-cash operating assets and liabilities	<u>14,604</u>	<u>(536)</u>	<u>2,099</u>	<u>(605)</u>
Net cash (used in) provided by operating activities	<u>(10,694)</u>	<u>1,346</u>	<u>335</u>	<u>22,033</u>
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-	(188)	-	(20,502)
Proceeds on disposal of long-lived assets	-	337	39	345
Purchase of property, plant and equipment	(880)	(212)	(1,519)	(2,194)
Net cash used in investing activities	<u>(880)</u>	<u>(63)</u>	<u>(1,480)</u>	<u>(22,351)</u>
Cash flows from financing activities				
Repayment of long-term debt	(18)	(22)	(84)	(106)
Deferred financing costs	-	134	-	(1,697)
Drawdown of revolving credit	14,129	6,337	15,385	31,168
Distributions to unitholders	(3,660)	(5,479)	(20,127)	(23,745)
Net cash provided by (used in) financing activities	<u>10,451</u>	<u>970</u>	<u>(4,826)</u>	<u>5,620</u>
Effect of exchange rate changes on cash and cash equivalents	<u>794</u>	<u>(15)</u>	<u>1,140</u>	<u>(325)</u>
(Decrease) increase in cash	<u>(329)</u>	<u>2,238</u>	<u>(4,831)</u>	<u>4,977</u>
Cash, beginning of period	<u>1,530</u>	<u>3,794</u>	<u>6,032</u>	<u>1,055</u>
Cash, end of period	<u>\$ 1,201</u>	<u>\$ 6,032</u>	<u>\$ 1,201</u>	<u>\$ 6,032</u>
Supplemental Cashflow Information:				
Interest paid	<u>\$ 1,006</u>	<u>\$ 766</u>	<u>\$ 5,184</u>	<u>\$ 4,282</u>
Income taxes (refunded) paid	<u>\$ (392)</u>	<u>\$ 84</u>	<u>\$ (2,470)</u>	<u>\$ (647)</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Notes to the Interim Consolidated Financial Statements

For the three month and twelve month periods ended December 31, 2008 and December 31, 2007

(In thousands of dollars, except per unit amounts)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Interim Consolidated Financial Statements of Tree Island Wire Income Fund (the “Fund”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) on a basis consistent with those followed in the most recent audited annual consolidated financial statements except as described in note 4. These Interim Consolidated Financial Statements do not include all the information and note disclosures required by GAAP for annual consolidated financial statements and therefore should be read in conjunction with the December 31, 2008 audited consolidated financial statements of the Fund and the notes below.

Operating results for the interim periods are not necessarily indicative of the result that may be expected for the full fiscal year ending December 31, 2008. Our operations are impacted by the seasonal nature of the various industries we serve, primarily the Canadian construction and agriculture industries. Accordingly, fourth quarter results are traditionally lower than other quarters due to the onset of Winter and the corresponding reduction in consumer activities.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated September 30, 2002. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination of the Fund, participates pro rata in the net assets remaining after satisfaction of all liabilities. The Fund owns 100% of the common shares of Tree Island Industries Ltd. (“TIL”).

Effective for the year ended December 31, 2008, the Fund has adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation. Section 1400 was amended to require management to assess and disclose an entity's ability to continue as a going concern. The Fund has forecast its financial results and cash flows for 2009. The forecasts are based on management's best estimates of operating conditions in the context of the poor current economic climate especially in the US, today's capital market conditions and the depressed state of the residential and commercial construction markets in both Canada and the United States.

Preliminary financial results of the Fund indicated that it would breach its debt services coverage ratio on its Canadian and US revolving credit facilities as at December 31, 2008. On March 27, 2009, the Fund and its lender amended the US and Canadian credit agreements and the Fund was granted waivers for the debt services coverage ratio covenant breach as well as other subsequent breaches that occurred on both revolving credit facilities.

Currently management does not anticipate being in default of the requirements of the amended credit agreements. However, due to the difficulty in predicting the continued severity and duration of the current economic and financial crisis, there is uncertainty whether the Fund will remain in compliance with its financial covenant during the remainder of 2009. Further weakening in steel prices, further weakening in the markets served by the Fund, inability to source raw materials, finished or semi finished goods, incurring significant customer or credit losses, could cause the Fund to violate its covenants in 2009. This could cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations in 2009.

The accompanying consolidated financial statements have been prepared assuming the Fund will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts should the Fund be unable to continue as a going concern.

3. CHANGE IN MEASUREMENT CURRENCY

Tree Island International Ltd. (“TI International”), formerly Universe Metal New Materials Co., had previously used the Hong Kong dollar as its measurement currency and had been considered self-sustaining foreign operation. This entity had been accounted for using the current rate method. Under this method assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items including depreciation and amortization are translated at the exchange rate in effect on the dates on which such items are recognized in income during the period.

Following the lending of funds to TI International, the Fund decided that TI International is an integrated foreign operation. TI International is now accounted for using the temporal method. Under this method monetary items are translated using the exchange rates in effect at the balance sheet date; non monetary items are translated using historical exchange rates. Revenue and expense items are translated at approximate exchange rates prevailing at the time the transactions occurred; and depreciation and amortization of assets are translated at historical exchange rates using the same exchange rate as the assets to which they relate. The change in measurement currencies has been applied starting April 1, 2008

4. ADOPTION OF NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

NEW ACCOUNTING POLICIES

Effective January 1, 2008 the Fund adopted the following new recommendations from the Canadian Institute of Chartered Accountants (“CICA”).

(a) Capital Disclosures

CICA Handbook Section 1535 “Capital Disclosures” establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital which has been provided in Note 10.

(b) Financial Instruments

CICA Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” replace Section 3816 “Financial Instruments – Disclosure and Presentation” effective January 1, 2008 for the Fund.

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is a party to and how the entity manages those risks. Additional information regarding the Fund's financial instruments is disclosed in Note 5.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of Sections 3863 did not impact the Fund's financial statements.

(c) Inventories

CICA Handbook Section 3031 "Inventories" introduces significant changes to the measurement and disclosure of inventory. The measurement changes include; the elimination of LIFO, the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous writedowns to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, writedowns and the reversals of writedowns are required to be disclosed. The adoption of CICA Handbook Section 3031 did not impact the Fund's financial statements on adoption.

RECENT ACCOUNTING PRONOUNCEMENTS

Section 3064 "Goodwill and Intangible Assets"

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 will replace 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 including internally generated intangible assets. This new section is effective for the Fund beginning January 1, 2009 and management has not fully determined the impact of adopting this standard.

Section 1582 “Business Combinations”

This section applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new CICA Handbook Section 1582 will replace Section 1581 “Business Combinations” establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards. Earlier adoption of this section is permitted. The section is not expected to have a material impact on the Fund’s consolidated financial statements.

Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbooks Section 1601 and Section 1602 will replace Section 1600 “Consolidated Financial Statements”. These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption of this section is permitted as of the beginning of a fiscal year. Management has not fully determined the impact of adopting this standard.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (AcSB) will require all public companies to adopt IFRS, replacing Canadian GAAP, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will be required to prepare comparative financial information using IFRS for the year ended December 31, 2010. The Fund expects the transition to IFRS to impact financial reporting, business processes and information systems.

A high-level diagnostic has been completed assessing the areas likely to have an impact of IFRS financial statements. The Fund is developing an IFRS project charter identifying a steering committee and several specific work groups and work streams. The steering committee will be made up of members of senior management and charged with monitoring the progress and making critical decisions related to the transition to IFRS. The Fund will be establishing a team to perform the detailed assessment of the differences between the Fund’s current accounting standards and IFRS. Training and additional resources will be utilized to ensure timely conversion to IFRS. Management has not fully determined the impact of adopting IFRS on its financial statements; however, it should be noted that the current financial statement may be significantly different if presented in accordance with IFRS

5. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist primarily of cash, accounts receivable, amounts payable under the revolving lines of credit, accounts payable, interest payable and non-financial derivatives that do not meet the expected purchase, sale or usage requirements exception.

The carrying values of cash, accounts receivable, amounts payable under the revolving lines of credit, accounts payable and interest payable approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Certain of the Fund's natural gas forward contracts entered into in fiscal 2008 do not meet the expected purchase, sale or usage requirements exception and as such are carried on the consolidated balance sheet at fair value. The fair value of these derivatives was calculated using estimated forward prices for the relevant period. The Fund has classified these derivatives as held-for-trading. An unrealized loss of \$243 (2007 - \$nil) has been recorded in accrued liabilities in the consolidated financial statements.

The Fund has classified its cash as held-for-trading. Accounts receivable are classified as loans and receivables. Revolving credit, accounts payable, accrued liabilities, and interest payable are classified as other liabilities, all of which are measured at amortized cost.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

	Carrying Value	Fair Value
	\$'000	\$'000
Held-for-trading		
Cash	1,201	1,201
Unrealized loss on natural gas forwards	(243)	(243)
	958	958
Loans and receivables	25,094	25,094

Under Section 3855, certain of the Fund's non-financial contracts for forward purchases of zinc and certain of its natural gas contracts meet the definition of a derivative but qualify for an expected usage exemption as they are settled through physical delivery for use in the normal course of business. These contracts have not been recognized in the consolidated financial statements. See Note 14 for further information on these contracts.

Financial instruments risk exposure and management

The Fund is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk and market risk.

Credit Risk

The Fund is exposed to credit losses in the event of non-payment of accounts receivable of its subsidiaries' customer accounts. However the credit risk is minimized through selling to well-established customers of high credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party, and through direct monitoring of their financial well-being on a continual basis. The Fund establishes guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability. The Fund maintains provisions for potential credit losses (allowance for doubtful accounts) and any such losses to-date have been within management's expectations. The trade accounts receivable are aged as follows at December 31, 2008:

Up to date	\$ 15,707
Under 30 days past due	5,552
30-60 days past due	1,825
61-90 days past due	2,995
Over 91 days past due	1,006
	<u>27,085</u>
Allowance for doubtful accounts	<u>(1,991)</u>
	<u><u>\$ 25,094</u></u>

The maximum credit risk that the Fund is exposed to by way of its accounts receivable is equal to the carrying amount of \$25,094 at December 31, 2008. The Fund has concentrations of credit risk relating to the concentration of revenue derived from the Western United States as well as revenue derived from the residential and commercial construction markets.

At the end of each reporting period a review of the provision for bad and doubtful debts is performed. It is an assessment of the potential amount of trade accounts receivable which will be paid by customers after the balance sheet date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions and historical information. The following table represents a summary of the movement of the allowance for doubtful accounts.

Balance as at October 1, 2008	\$ 883
Additions during the period	1,108
Use during the period	-
Balance as at December 31, 2008	<u>\$ 1,991</u>

Liquidity risk

Liquidity risk arises from the Fund's financial obligations and in the management of its assets, liabilities and capital structure. The Fund regularly manages this risk by evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled payments on lease obligations, credit capacity and expected future debt and equity capital market conditions.

The Fund's liquidity requirements are met through a variety of sources including: cash balances on hand, cash generated from operations, existing credit facilities, leases and debt and equity capital markets. The Fund monitors and manages its liquidity risk within the constraints of its available credit facilities. The operating requirements of the Canadian operations and its subsidiary TI International in 2008 were funded by a secured CDN \$44.5 million revolving credit facility. The operating requirements of the US operations in 2008 were funded by a secured US \$44.0 million revolving credit facility. These revolving credit facilities are further described in Note 9 and subsequent to December 31, 2008, the Fund has renegotiated both its CDN\$ and US\$ revolving credit facilities [Note 17]. The amended revolving credit facilities will affect the Fund's liquidity by reducing the Canadian dollar revolving facility from Cdn\$44.5 million to Cdn\$35 million and reducing the U.S. dollar revolving facility from US\$44 million to US\$35 million, with further reductions to \$30.5 million on August 1, 2009 and \$28.5 million on November 1, 2009 for both facilities.

Weakening global economic conditions have led to a significant weakness in commodity prices including those for carbon and stainless steel wire rod, nickel, and zinc. In general credit market conditions have increased the cost of obtaining capital and limited availability of funds. Given the general economic uncertainty, the Fund may access the public debt or equity capital markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Fund.

The table below summarizes the future undiscounted cash flow requirements for financial liabilities at December 31, 2008:

<u>\$'000</u>	<u>On Demand</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>	<u>Total</u>
Revolving credit facilities	\$ 65,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,209
Natural Gas Forwards	-	1,416	-	-	-	-	-	1,416
Accounts payable and interest payable	-	67,035	-	-	-	-	-	67,035
	<u>\$ 65,209</u>	<u>\$ 68,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,660</u>

Market risk

The significant market risk exposures affecting the financial instruments held by the Fund are those related to foreign currency exchange rates, interest rates and commodity prices which are explained as follows:

(i) Foreign currency exchange rates

The Fund's U.S. dollar-denominated accounts receivable, accounts payable and accrued liabilities, interest payable and certain of its natural gas forward contracts are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the U.S./Canadian dollar exchange rate. For each US\$0.01 decrease in the U.S./Canadian dollar exchange rate (i.e. the US dollar strengthening against the Canadian dollar), the net value of the Fund's financial instruments outstanding as of December 31, 2008 would increase by approximately \$671 (holding all variables constant excluding foreign exchange), which would be charged to net income.

The Fund's RMB denominated accounts receivable, accounts payable and accrued liabilities, interest payable and long-term debt are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the RMB/Canadian dollar exchange rate. For each RMB\$0.01 decrease in the RMB/Canadian dollar exchange rate (i.e. the RMB dollar strengthening against the Canadian dollar), the net value of the Fund's financial instruments outstanding as of December 31, 2008 would increase by approximately \$78 (holding all variables constant excluding foreign exchange), which would be charged to net income.,

The Fund does not use derivative instruments to manage the foreign exchange risk.

(ii) Interest rates

The Fund is exposed to interest rate risk on its Canadian and U.S. revolving loan facilities. During 2008 the Fund's Canadian revolving loan bore interest at the Canadian prime rate plus 0.50% per annum for current asset revolving credit advances and at the Canadian prime rate plus 1.00% per annum for fixed asset revolving credit advances or at the election of the Fund, the Bankers' Acceptance rate plus 1.75% per annum for current asset revolving credit advances or at the Bankers' Acceptance rate plus 2.25% for fixed asset revolving credit advances.

The Fund's U.S. revolving loan bore interest at the U.S. index rate plus 0.50% per annum for current asset revolving credit advances and at the U.S. Index rate plus 1.00% per annum for fixed asset revolving credit advances or at the election of the Fund, the LIBOR rate plus 1.75% per annum for current asset revolving credit advances or the LIBOR rate plus 2.25% per annum for fixed asset revolving credit advances.

A 1% (i.e. 100 basis point) increase in the interest rate would have caused interest expense to increase by approximately \$666 per annum based on the revolver balances as at December 31, 2008 and assuming these balances represent average balances per annum.

The Fund does not use derivative instruments to manage the interest rate risk.

(iii) Commodity Price Risk Management

The Fund is impacted by fluctuations in the price of natural gas. The Fund has entered into the following forward contracts to address this exposure.

Asset (liability)	Number of contracts	Term to maturity (years)	2008		2007	
			Carrying value	Fair value	Carrying value	Fair value
Natural gas commodity forward contracts	9	1	(243)	(243)	-	-

The natural gas derivatives fair value reflects only the value of the natural gas derivatives and not the offsetting change in value of the underlying future purchases of natural gas. These fair values reflect the estimated amounts the Fund would receive or pay to terminate the contracts at the stated dates.

6. INVENTORIES

The Fund had the following categories of inventory at December 31:

	<u>December 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
Raw materials	\$ 41,808	\$ 44,324
Finished and semi finished products	54,704	33,802
Consumable supplies and spare parts	10,051	10,373
	<u>\$ 106,563</u>	<u>\$ 88,499</u>

The Fund has recognized, in income, the following inventory costs in the period. In the fourth quarter of 2008, the Fund recorded a charge of \$20,426 in operating income to writedown inventories to net realizable value of which \$10,370 relates to raw materials and \$10,056 relates to finished and semi-finished products. The writedown is reflective of significant declines in raw material costs and finished goods market prices.

	<u>3 Months Ended</u> <u>December 31, 2008</u>	<u>3 Months Ended</u> <u>December 31, 2007</u>	<u>Twelve Months Ended</u> <u>December 31, 2008</u>	<u>Twelve Months Ended</u> <u>December 31, 2007</u>
Opening inventory	128,693	79,518	\$ 88,499	\$ 93,912
Raw material purchases	55,317	30,856	202,215	125,757
Finished goods purchased for resale	8,789	4,552	68,955	12,358
Conversion costs	14,737	26,975	71,472	89,930
Raw materials write down	(10,370)	-	(10,370)	-
Finished and semi finished inventories wri	(10,056)	-	(10,056)	-
Inventories, closing	(106,563)	(88,499)	(106,563)	(88,499)
Cost of goods sold	<u>\$ 80,547</u>	<u>\$ 53,402</u>	<u>\$ 304,152</u>	<u>\$ 233,458</u>

7. PROPERTY, PLANT AND EQUIPMENT IMPAIRMENT

The Fund reviews the carrying value of its long-lived assets on a regular basis as events or changes in circumstances may warrant. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to fair value. In view of operating losses and expected deteriorating market conditions in the US domestic nail business the Fund has reviewed its machinery and equipment associated with this business and concluded that impairment was indicated and likely for that equipment. The carrying value of the assets were compared to the prices of similar assets in similar condition. As a result, the Fund has recognized an impairment charge of \$1,720 in the fourth quarter December 31, 2008.

8. GOODWILL

Annually the Fund evaluates the carrying value of goodwill recognized on the consolidated balance sheet. This test was performed in the fourth quarter of 2008 and based on discounted projected cash flows the fair value of the goodwill was less than the carrying value of \$52,128. The decrease in fair value of goodwill is primarily due to the precipitous decrease in the global price of steel and weak market demand.

The measurement of the goodwill impairment charge requires a comparison of the fair value of goodwill to its carrying value. The estimate of fair value of goodwill requires management to apply judgment in developing appropriate assumptions in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value, any resulting impairment charges and are subject to uncertainties.

Due to the complexity of this exercise, an independent evaluation of the fair value of the assets and liabilities could not be completed prior to the issuance of these consolidated interim financial statements on March 31, 2009 and therefore, management has made its best estimate of the allocation of fair value to each of the assets and liabilities of the Fund. This has resulted in an estimated impairment of goodwill of \$52,128. It is anticipated that the independent evaluation of the impairment on goodwill will be performed by June 30, 2009 and any adjustment to the estimated loss based on completion of the independent evaluation will be recognized in the financial statements for the second quarter of 2009. The final impairment charge could differ materially from the estimated impairment recognized in these financial statements.

The Goodwill balance, prior to recognizing the impairment, is impacted by the appreciation of the US dollar relative to the Canadian dollar.

9. REVOLVING CREDIT

At December 31, 2008, the Fund maintained a secured CDN \$44.5 million revolving credit facility to fund its Canadian operations and a secured US\$44.0 million revolving credit facility to fund the US operations. The amounts available from these facilities was limited to the amount of the calculated borrowing base. The borrowing base was calculated as 85% of eligible receivables, plus 85% of the net orderly liquidation value of inventory plus a percentage of fixed assets to a maximum of \$4.5 million for the Canadian facility and US\$4.0 million for the US facility.

The revolving credit facilities contained restrictive covenants that limited our discretion with respect to certain business matters. These covenants placed restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, at December 31, 2008, our credit facilities contained a financial covenant that required us to maintain a consolidated debt service coverage ratio of 2.50 to 1.00 on a trailing 12-month basis for which failure to comply could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and may limit the Fund's ability to make distributions.

As a result of the decline in the global steel prices and the consequent inventory writedown (note 6) the Fund could not comply with its consolidated debt service ratio covenant as at December 31, 2008. On February 10, 2009, the Fund received a written notice of default from its lenders under the revolving credit facilities. In addition subsequent to the notice of default it was determined that the Fund was not in compliance with covenants in respect of distributable cash and inter-company notes. On March 27, 2009, the Fund renegotiated the terms of its revolving credit facilities and obtained waivers in respect of the covenant defaults. The revolving credit facilities at December 31, 2008 were set to expire July 2012; however, upon renegotiation, the expiry has been amended to March 2010. The new terms and conditions of the revolving credit facilities are disclosed further in Note 17.

At December 31 the Fund had the following amounts outstanding on its revolving lines of credit:

	<u>December 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
TIL Cdn \$44,500 amended and restated revolving credit facility bearing interest at Canadian Prime rate plus 0.50% and plus 1.00% (a), (b), (c)	18,733	12,067
TIW US \$44,000 amended and restated revolving credit facility bearing interest at the US Index rate plus 0.50% and plus 1.00% (a), (b), (d), (e)	46,476	37,400
	<u>\$ 65,209</u>	<u>\$ 49,467</u>

- (a) The TIL and TIW credit facilities are collateralized by security interests in all real and personal property of TIL (for the TIL credit facility) and of TIW (for the TIW credit facility).
- (b) All existing and after-acquired real and personal property of TIL and of TIW are pledged as collateral against the credit facilities.

- (c) The TIL amended and restated Canadian revolving credit facility bearing interest at the Canadian prime rate plus 0.50% per annum for Current Asset Revolving Credit advances and at the Canadian prime rate plus 1.00% per annum for Fixed Asset revolving credit advances or at the election of the Fund, the Bankers' Acceptance rate plus 1.75% per annum for Current Asset Revolving Credit advances or at the Bankers' Acceptance rate plus 2.25% for Fixed Asset Revolving Credit Advances. The interest rates were 4.00%, 4.50%, 3.25% and 3.75% respectively at December 31, 2008.
- (d) The US Index rate for the TIW amended and restated US dollar revolving credit facilities is defined as the higher of the base rate on corporate loans published in the Wall Street Journal and the Federal funds rate, plus 0.5% for Current Asset Revolving Credit advances and plus 1.00% for Fixed Asset Revolving Credit advances.
- (e) The TIW amended and restated credit facility bears interest at the US index rate plus 0.50% per annum for Current Asset Revolving Credit advances and at the US Index rate plus 1.00% per annum for Fixed Asset revolving credit advances or at the election of the Fund, the LIBOR rate plus 1.75% per annum for Current Asset Revolving Credit advances or the LIBOR rate plus 2.25% per annum for Fixed Asset Revolving Credit advances. The interest rates were 3.75%, 4.25%, 3.63% and 4.13% respectively at December 31, 2008

10. CAPITAL DISCLOSURES

The capital structure of the Fund consists of its unitholders' equity and short-term borrowing consisting of its revolving credit facilities. The Fund's objectives when managing its capital are:

- (a) To maintain a strong capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain future development of the business;
- (b) To manage capital in a manner that will comply with its external financial covenants and distribution requirements.

The Fund manages its capital structure in accordance with these objectives, as well as considerations given to changes in economic conditions and the risk characteristics of the underlying assets. As well, the Fund's revolving credit facilities have financial tests and other covenants with which the Fund and its subsidiaries must comply as disclosed in Note 9. These financial tests and covenants are monitored on an ongoing basis and compliance is reported to the lenders. As disclosed in note 9 and 17, the Fund was in breach of certain of those tests and covenants as at December 31, 2008. Subsequent to year-end, the Fund has renegotiated the terms of its revolving credit facilities and obtained relief on the certain covenants breached.

The Fund will become subject to Canadian corporate income taxes beginning in 2011. This may result in changes to the capital structure of the Fund or the nature of the Fund itself.

11. LONG-TERM UNIT INCENTIVE PLAN

On May 11, 2007, unitholders approved the Tree Island Wire Income Fund Long-Term Unit Incentive Plan. This plan provides for the allotment of up to 500,000 Phantom Units to designated employees of Tree Island Industries Ltd. (each a “Member”) at the discretion of the Board of Trustees. The value of the Phantom Units will appreciate or depreciate with increases or decreases in the market price of the Fund’s units. Phantom Units granted are considered to be in respect of future services and are recognized in unit-based compensation costs over the vesting period. Compensation costs is measured based on the market price of the Fund’s units on the date of the grant of the Phantom Units.

Compensation expense related to Phantom Units for the three month period ended December 31, 2008 was \$143 (\$90 for three month period ended December 31, 2007) and for the twelve month period ended December 31, 2008 was \$515 (\$542 for twelve month period ended December 31, 2007) and is included in selling, general and administrative expense. Non-cash distributions related to Phantom Units for the three month period ended December 31, 2008 was \$57 (\$23 for three month period ended December 31, 2007) and for the twelve month period ended December 31, 2008 was \$192 (\$47 for the twelve month period ended December 31, 2007).

The Fund’s obligation to issue units on the vesting of Phantom Units is an unfunded and unsecured obligation of the Fund.

	Three Months Ended December 31, 2008		Three Months Ended December 31, 2007		Twelve Months December 31, 2008		Twelve Months December 31, 2007	
	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested
Balance, beginning of period	72,576	194,584	49,072	91,667	53,643	91,667	-	-
Granted	-	-	-	-	-	136,250	45,833	91,667
Additional earned in respect of distributions	18,118	-	4,571	-	45,765	-	7,810	-
Vested	-	-	-	-	33,333	(33,333)	-	-
Converted	-	-	-	-	(42,047)	-	-	-
Balance, end of period	90,694	194,584	53,643	91,667	90,694	194,584	53,643	91,667

12. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and, accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for TIL and its wholly-owned subsidiaries, as TIL and its wholly-owned subsidiaries are subject to tax. The provision for the period is divided between current and future taxes as follows:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
Current tax (expense) recovery	\$ 2,665	\$ 2,247	\$ 1,876	\$ 3,608
Future tax (expense) recovery	2,544	2,232	2,843	4,495
	<u>\$ 5,209</u>	<u>\$ 4,479</u>	<u>\$ 4,719</u>	<u>\$ 8,103</u>

The recovery of income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial and US federal and state statutory income tax rates to the income before income taxes as shown in the following table:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
(Loss) income before provision for income taxes	\$ (85,080)	\$ (4,322)	\$ (69,707)	\$ 2,315
Income of the Fund subject to tax in the hands of the recipient	<u>(3,231)</u>	<u>(5,558)</u>	<u>(18,915)</u>	<u>(22,706)</u>
Income (loss) of wholly-owned subsidiary companies before income taxes	(88,311)	(9,880)	(88,622)	(20,391)
Tax Rate	31.0%	34.1%	31.0%	34.1%
Expected (expense) recovery of income taxes	\$ 27,376	\$ 3,371	\$ 27,473	\$ 6,957
Increased (Reduced) by:				
Revisions of prior period estimates	(8)	-	(498)	241
Items not deductible for tax	(7,634)	168	(7,617)	109
Foreign withholding tax	(82)	-	(278)	-
Differential tax rates on U.S. and Chinese subsidiaries	4,081	309	4,147	574
Reduction in statutory future income tax rate	(111)	407	28	511
Future income tax valuation allowance	(16,815)	-	(16,815)	-
Other	(1,598)	224	(1,721)	(289)
Income tax (expense) recovery	<u>\$ 5,209</u>	<u>\$ 4,479</u>	<u>\$ 4,719</u>	<u>\$ 8,103</u>

On October 31, 2006, the Canadian federal government announced proposed legislation to tax distributions made by income trusts. This legislation has now received royal assent and as a result income trusts will be subject to tax at corporate rates on the taxable portion of their distributions and unitholders will be taxed as if they have received a dividend equal to the taxable portion of their distributions. There will be a transitional period so that the Fund will not be subject to the tax until 2011. The legislation has had no material effect on the Fund's financial position, result of operations or cash flows.

13. POST-RETIREMENT BENEFITS

- (a) The Fund has three defined contribution pension plans. Contributions made by the Fund amounted to \$378 for the three months ended December 31, 2008 (\$380 for the three months ended December 31, 2007) and \$1,651 for the twelve months ended December 31, 2008 (\$1,660 for the twelve months ended December 31, 2007). Funding obligations are satisfied upon making contributions.
- (b) The Fund had one multi employer defined benefit pension plan. Contributions made by the Fund amounted to \$nil for the three months ended December 31, 2008 and December 31, 2007 and \$nil for the twelve months ended December 31, 2008 (\$3 for the twelve months ended December 31, 2007). Effective July 15, 2007, the Fund withdrew from the multi-employer defined benefit pension plan.

14. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Litigation and claims

The Fund is party to certain legal actions and claims, none of which individually, or in the aggregate, is expected to have a material adverse effect on the Fund's financial position, results of operations or cash flows.

(b) Commitments

The Fund and its wholly-owned subsidiaries have committed to rod purchases totaling \$2,360 (US\$1,400 and RMB3,600), zinc purchases totaling \$2,389 (US\$1,951) and gas purchases totaling \$1,416 (US\$1,156) at December 31, 2008.

The Fund has two exclusive Supply, Production and Distributorship Agreements. For the first agreement the Fund has committed to pay processing fees of between \$4,800 (RMB32,742) and \$7,000 (RMB47,749) over a 2 year period from January 1, 2008 to December 31, 2009. Under the first agreement, there was a 6 month transition period which was then further extended as a result of mutual agreement by both the parties in August 2008 for another 6 months until February 20th, 2009. According to the agreement either the party has the right to terminate the agreement during the transition period under certain terms and conditions. Subsequent to December 31, 2008, due to the uncertain economic environment and market conditions, both the parties have agreed to terminate this agreement by March 31st, 2009 and upon the termination the Fund will no longer have any of the aforesaid commitments. Of the amount committed, \$3,603 (RMB20,072) has been paid in the first twelve months ended December 31, 2008. For the second agreement the Fund has committed to pay \$310 (RMB 2,000) for purchase of raw material and processing fee and a refundable deposit of \$108 (RMB 700). The second agreement runs over a two year period from April 22, 2008 to April 21, 2010.

The Fund and its subsidiaries also have various operating lease agreements with remaining terms of up to ten years with varying renewal options. Annual lease rental payments due under non-cancelable operating leases are as follows:

2009	\$	4,220
2010		3,122
2011		2,806
2012		1,741
2013		903
Thereafter		2,611
	\$	<u>15,403</u>

15. SEGMENTED INFORMATION

(a) *General information*

The Fund operates primarily within one industry, the steel wire and fabricated wire products industry with no separately reportable business segments. The products are sold primarily to customers in the United States, Canada and China.

(b) Geographic information

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
SALES (i)				
Canada	\$ 17,030	\$ 16,050	\$ 96,773	\$ 76,341
United States	36,430	38,521	209,833	183,994
China	1,292	526	8,172	1,003
Other	3,071	761	7,965	2,826
	<u>\$ 57,823</u>	<u>\$ 55,858</u>	<u>\$ 322,743</u>	<u>\$ 264,164</u>

	As at December 31 2008	As at December 31 2007
PROPERTY, PLANT AND EQUIPMENT (ii)		
Canada	\$ 42,542	\$ 47,696
United States	11,940	14,254
China	498	283
	<u>\$ 54,980</u>	<u>\$ 62,233</u>

GOODWILL (ii), (note 8)		
Canada	\$ -	\$ 23,463
United States	-	17,435
China	-	5,536
	<u>\$ -</u>	<u>\$ 46,434</u>

(i) Sales are attributed to geographic areas based on the location of customers.

(ii) Property, plant and equipment and goodwill are attributed to geographic areas based on the location of the subsidiary company owning the assets.

16. RESTRUCTURING COSTS

In September 2007 the Fund announced that it would consolidate operations at its US plants and offices in order to realize efficiencies resulting from its acquisition of USA Wire and Baoan International. In November 2007 the Fund announced additional restructuring measures by reducing the number of employees in order to reduce costs. The portion of the costs incurred that related to restructuring the acquired company were allocated to the purchase price of Baoan International. The following table provides a summary of the costs included in the consolidated statements of operations and cash payments made:

Employee termination benefits	\$	250
Costs of relocation of equipment		890
Lease costs		968
Foreign exchange effect		475
Total costs		<u>2,583</u>

	<u>2008</u>	<u>2007</u>	<u>Cumulative Total 2007-2008</u>
Opening accrual	581	-	-
Expensed in the period	1,425	1,158	2,583
Paid in the period	(1,710)	(577)	(2,287)
Ending accrual	<u>296</u>	<u>581</u>	<u>296</u>

17. SUBSEQUENT EVENTS

Restructuring

On January 20, 2009 the Fund announced a restructuring plan including restrictions on salaries and the closure of two of the four US manufacturing facilities. Located in Fontana, California and Ontario, California, the two facilities will be closed in the second quarter of 2009. The reduction in personnel will occur in the first and second quarter of 2009 and costs are estimated to be \$1 million.

Distributions

Also on January 20, 2009, the Fund announced that it would suspend further payments of distributions to unitholders due to the declining economic conditions.

Financing

As a result of the weakening global economic conditions, decline in the global steel prices and the consequent inventory writedown (note 6), the Fund could not comply with its consolidated debt services ratio covenant as at December 31, 2008. On February 10, 2009, the Fund received a written notice of default from its lenders under the GE credit facilities. The notice of default was the result of non-compliance with its current debt services ratio covenant and triggered the notice of default under the GE credit facilities. In addition subsequent to the notice of default it was determined that the Fund was not in compliance with covenants in respect of distributable cash and inter-company notes.

On March 27, 2009 the Company received a waiver for the financial covenant default as well as the other defaults identified subsequent to the initial default and relating to distributable cash and inter-company notes. The amended agreement, among other things, removes a covenant that required Tree Island to maintain a debt service coverage ratio of not less than 2.5 to 1 and now contains a financial covenant that requires the Fund to maintain minimum cumulative 12-month EBITDA values through February, 2010. The amendment reduces the Canadian dollar revolving facility from \$44.5 million to \$35 million and reduces the U.S. dollar revolving facility from US\$44 million to US\$35 million, with further reductions to \$30.5 million on August 1, 2009 and to \$28.5 million on November 1, 2009 for both facilities. Pursuant to the amendment, the revised credit facilities will now mature on March 27, 2010.

Under both facilities, the interest rates will be as follows:

- (i) U.S. dollar revolving facility: advances under the facility will bear interest at an index rate plus applicable margin or the 90 day LIBOR, plus applicable margin the choice of which is at the discretion of the Fund.

- (ii) Canadian dollar revolving facility: advances under the facility will bear interest at the Canadian prime rate plus applicable margin or the banker's acceptance rate plus acceptable margin, the choice of which is at the discretion of the Fund.

The amounts available under the Credit Facilities are limited to the amount of the calculated borrowing base. The borrowing base is calculated as 85% of eligible receivables, plus the lesser of (a) 85% of the net orderly liquidation value of inventory and (b) 65% of eligible inventory plus a percentage of fixed assets to a maximum of \$4.5 million for the Canadian Credit Facility and US\$4.0 million for the US Credit Facility. The amount of the fixed assets included in the borrowing base will be progressively reduced until it is entirely eliminated by December 1, 2009. This reduction will be accelerated if certain assets are sold prior to December 1, 2009. The Credit Facilities are secured against all of the Company's property and accounts receivable and contain restrictive covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

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