

FOURTH QUARTER REPORT TO UNITHOLDERS
FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2006

W A J A X I N C O M E F U N D





WAJAX INCOME FUND
News Release

TSX Symbol: WJX.UN

**WAJAX ANNOUNCES IMPROVED FOURTH QUARTER RESULTS AND RECORD
REVENUE AND EARNINGS FOR 2006**

(Dollars in millions, except per unit data)	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
Revenue	\$294.5	\$276.8	\$1,206.5	\$1,049.4
Net earnings from continuing operations	\$18.1	\$15.8	\$71.5	\$35.6
Net earnings	\$19.4	\$15.8	\$72.8	\$33.1
Basic earnings per unit:				
- From continuing operations	\$1.09	\$0.95	\$4.31	\$2.19
- Net earnings	\$1.17	\$0.95	\$4.39	\$2.04
Distributable cash ⁽¹⁾	\$18.6	\$15.5	\$74.0	\$33.5
Basic distributable cash per unit ⁽¹⁾	\$1.12	\$0.94	\$4.46	\$2.02
Cash distributions declared per unit	\$2.06	\$1.25	\$4.43	\$1.89

⁽¹⁾ Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A). 2005 full year amounts are for the June 15 to December 31 period since conversion.

Toronto, Ontario – March 6, 2007 – Wajax Income Fund today announced improved fourth quarter 2006 results and record revenue and earnings for the full year.

Fourth Quarter Highlights

- Revenue increased \$17.7 million, or 6% compared to last year. Mobile Equipment revenues decreased 4% as the comparative period included revenue from the sale of several large pieces of mining equipment not repeated in 2006. Revenue in Industrial Components and Power Systems increased 14% and 23% respectively, as all regions posted revenue gains with particular strength in the Alberta energy sector.

- Net earnings from continuing operations for the quarter were \$18.1 million or \$1.09 per unit compared to \$15.8 million or \$0.95 per share recorded in 2005. Stronger sales in Industrial Components and Power Systems and higher Mobile Equipment margins led to improved earnings in all three business segments. Compared to the previous year, Mobile Equipment segment earnings were up 6% to \$9.8 million, Industrial Components increased 4% to \$4.4 million and Power Systems improved by 51% to \$8.4 million.
- Basic distributable cash (See Non-GAAP Measures section in MD&A) amounted to \$1.12 per unit for the quarter, a 19% increase compared to \$0.94 per unit in the previous year. Cash distributions declared in the quarter were \$2.06 per unit, which included a December special distribution of \$1.12 per unit. Unitholder tax information relating to 2006 distributions is available on the Fund's website at www.wajax.com.
- The Fund announced a monthly distribution for March of \$0.32 per unit (\$3.84 per unit annualized), payable on April 20, 2007, to unitholders of record on March 30, 2007.
- The Fund disclosed that it has already secured over \$60 million of orders from a number of customers for mining loading equipment for delivery in 2007. As well, it has received GE Energy bio and natural gas engine orders for 2007 in excess of \$30 million. Prospects for additional orders in these two product categories remain strong.

Commenting on the fourth quarter results and the outlook for 2007, Neil Manning, President and CEO, stated "The financial performance of the Fund continued to be very strong in the fourth quarter and we posted record revenue and earnings for the 2006 full year. Looking forward to 2007, we expect another good year for the Fund. While we expect activity in certain sectors of the economy, such as the western Canada oil and gas and Canadian housing market to moderate somewhat compared to 2006, we believe we have opportunity to negate the impact of these factors by capitalizing on a number of other growth opportunities. Not only do we expect to benefit from sales opportunities for mining loading equipment and GE Energy engines in 2007, but we also expect to further improve operating results through a number of additional profitability improvement initiatives across all three businesses."

Wajax Income Fund is a leading Canadian distributor and service support provider of mobile equipment, industrial components and power systems. Reflecting a diversified exposure to the Canadian economy, its three distinct core businesses operate through a network of over 100 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

This news release contains forward-looking information. Actual future results may differ from expected results.

Management's Discussion and Analysis – Q4 2006

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Income Fund (the "Fund" or "Wajax") for the quarter-ended December 31, 2006 and should be read in conjunction with the information contained in the Unaudited Consolidated Financial Statements and accompanying notes for the quarter-ended December 31, 2006 and the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2006. Information contained in this MD&A is based on information available to management as of March 6, 2007.

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

Responsibility of Management and the Board of Trustees

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The Fund's Board of Trustees has approved this MD&A and the annual Consolidated Financial Statements and accompanying notes. In addition, the Fund's Audit Committee, on behalf of the Board of Trustees, provides an oversight role with respect to all public financial disclosures made by the Fund, and has reviewed this MD&A and the annual Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Fund's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls and procedures can only provide reasonable assurance over the effectiveness of the controls. As a result, disclosure controls and procedures are not expected to prevent and detect all misstatements due to error or fraud. During the year the Fund's management under the supervision of and with the participation of the Fund's CEO and CFO has designed and evaluated the effectiveness and operation of its disclosure controls and procedures. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Fund's disclosure controls and procedures are effective as at December 31, 2006.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian generally accepted accounting principles. During the year the Fund's management, under the supervision of and with the participation of its CEO and CFO, has completed an assessment of the design of internal control over financial reporting. This assessment includes a risk evaluation and documentation of key processes. The evaluation of the design gave rise to improvement recommendations and changes were made to strengthen certain controls. In particular, during the fourth quarter a number of changes were made to information technology general controls including improvements to user access controls and security logs, and formalization of certain policies and procedures. Collectively, these improvements have materially affected the Fund's internal control over financial reporting. Due to the inherent limitations in all control systems, an evaluation of internal control over financial reporting can only provide reasonable assurance over the effectiveness of the controls. As a result, the system of internal control over financial reporting is not expected to prevent and detect all misstatements due to error or fraud. Based on the assessment of internal control over financial reporting, the CEO and CFO have concluded that the Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at December 31, 2006.

Wajax Income Fund Overview

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

The Fund is considered to be a continuation of Wajax Limited following the continuity of interest method of accounting, which recognizes the Fund as the successor entity to Wajax Limited. Accordingly, these consolidated financial statements reflect the financial position, results of operations and cash flows as if the Fund has always carried on the business formerly carried on by Wajax Limited with all assets and liabilities recorded at the carrying values of Wajax Limited.

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

Wajax has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, power systems and industrial components, through a network of over 100 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include and are not restricted to the risks identified in this MD&A. In addition these factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. These forward-looking statements reflect management's expectations as of the date hereof and the Fund does not assume any obligation to update or revise them to reflect new events or circumstances.

Consolidated Results

for the three months ended December 31	2006	2005
Revenue	\$294.5	\$276.8
Gross profit	\$67.1	\$62.2
Selling and administrative expenses	\$47.0	\$44.6
Earnings from continuing operations before interest and income taxes	\$20.1	\$17.6
Interest expense	\$1.3	\$0.8
Income tax expense	\$0.8	\$1.0
Net earnings from continuing operations	\$18.1	\$15.8
Gain from discontinued operations	\$1.3	-
Net earnings	\$19.4	\$15.8
Distributable cash (1)	\$18.6	\$15.5
Distributions declared - Cash	\$34.2	\$20.8
- Non-cash	-	\$2.3
Distributions paid	\$15.3	\$9.6
Earnings from continuing operations - Basic	\$1.09	\$0.95
- Diluted	\$1.08	\$0.94
Earnings per unit - Basic	\$1.17	\$0.95
- Diluted	\$1.16	\$0.94
Distributable cash per unit (1) - Basic	\$1.12	\$0.9
- Diluted	\$1.11	\$0.93
Distributions declared per unit (2) - Cash	\$2.06	\$1.25
- Non-cash	-	\$0.14
Distributions paid per unit (2)	\$0.92	\$0.58

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

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

for the year ended December 31	2006	2005
Revenue	\$1,206.5	\$1,049.4
Gross profit	\$266.2	\$231.4
Selling and administrative expenses	\$186.9	\$176.0
Income fund conversion-related costs (1)	-	\$2.6
Earnings from continuing operations before interest and income taxes	\$79.3	\$52.8
Interest expense	\$4.5	\$4.6
Income tax expense	\$3.4	\$5.0
Early extinguishment of debt (1)	-	\$7.6
Net earnings from continuing operations	\$71.5	\$35.6
Gain (loss) from discontinued operations	\$1.3	(\$2.5)
Net earnings	\$72.8	\$33.1
Distributable cash (2)	\$74.0	\$33.5
Distributions declared - Cash	\$73.5	\$31.4
- Non-cash	-	\$2.3
Distributions paid	\$63.8	\$17.2
Dividends paid (4)	-	\$2.2
Earnings from continuing operations - Basic	\$4.31	\$2.19
- Diluted	\$4.28	\$2.19
Earnings per unit - Basic	\$4.39	\$2.04
- Diluted	\$4.36	\$2.03
Distributable cash per unit (2) - Basic	\$4.46	\$2.02
- Diluted	\$4.44	\$2.01
Distributions declared(3) - Cash	\$4.43	\$1.89
- Non-cash	-	\$0.14
Distributions paid per unit (3)	\$3.85	\$1.03
Dividends paid per share (3)(4)	-	\$0.14

(1) Income fund conversion-related items relate to the income fund conversion and the early extinguishment of long-term debt. See Non-GAAP Measures section.

(2) Non-GAAP measure, see the Non-GAAP Measures section. 2005 distributable cash includes pro-rata results for the month of June 2005 based upon the 15 days ended June 30, 2005.

(3) Based on actual number of units/shares outstanding on the relevant record date.

(4) Dividends paid prior to conversion of Wajax Limited into Wajax Income Fund.

Revenue

Revenue in the fourth quarter of 2006 increased \$17.7 million, or 6%, to \$294.5 million from \$276.8 million in 2005. Segment revenue increased 23% in Power Systems and 14% in Industrial Components, while revenue declined 4% in Mobile Equipment. For the twelve months ended December 31, 2006, revenue increased \$157.1 million, or 15%.

Gross profit

Gross profit in the fourth quarter of 2006 increased \$4.9 million, or 8%, due mainly to higher sales volumes. The gross profit percentage for the quarter increased marginally to 22.8% in 2006 from 22.5% in 2005 due principally to higher new equipment and service margins compared to last year. For the twelve months ended December 31, 2006, gross profit increased \$34.8 million due mainly to higher volumes as the gross profit percentage remained relatively unchanged at 22.1% from 22.0% in 2005.

Selling and administrative expenses

Selling and administrative expenses increased \$2.4 million in the quarter as a result of increased costs related to higher sales activity and higher corporate costs due to an increase in accruals for employee incentives and other personnel costs compared to last year. Selling and administrative expenses as a percentage of revenue declined to 16.0% from 16.1%. For

the twelve months ended December 31, 2006 selling and administrative expenses increased \$10.9 million compared to 2005, due mainly to the increased sales activity, but decreased as a percentage of sales to 15.5% from 16.8%.

2005 income fund conversion-related items

Income fund conversion-related items totaling \$10.2 million in 2005 (\$6.7 million after tax or \$0.42 per unit) included conversion-related costs of \$2.6 million (\$1.7 million after tax or \$0.11 per unit) and charges associated with the early extinguishment of long-term debt of \$7.6 million (\$5.0 million after tax or \$0.31 per unit).

Interest expense

Quarterly interest expense of \$1.3 million increased \$0.5 million from the previous year. The higher interest expense was a result of higher funded debt net of cash ("funded net debt") outstanding and higher interest rates compared to last year. For the twelve months ended December 31, 2006, interest expense decreased \$0.1 million compared to last year due to the Fund's lower cost of borrowing under the new financing arrangements entered into on June 8, 2005, offset by higher funded net debt outstanding and higher deferred financing expenses.

Income tax expense

The effective income tax rate of 4.3% for the quarter decreased from 5.9% the previous year due to a \$29 million increase in the amount of subordinated indebtedness provided by the Fund to its subsidiary Wajax Limited resulting in additional interest expense in Wajax Limited compared to last year. In addition, the Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 34.3% as the majority of the Fund's income is not subject to tax in the Fund. For the twelve months ending December 31, 2006 the effective tax rate decreased to 4.5% from 12.4% the previous year as all of Wajax's operations were subject to tax prior to the conversion into Wajax Income Fund effective June 15, 2005 and also due to the increase in the amount of subordinated indebtedness.

Net earnings from continuing operations

Quarterly net earnings from continuing operations of \$18.1 million, or \$1.09 per unit, increased \$2.3 million from \$15.8 million, or \$0.95 per unit, in 2005 as the positive impact of higher volumes more than offset the increased selling and administrative expenses and higher interest expense. For the twelve months ended December 31, 2006 net earnings from continuing operations of \$71.5 million, or \$4.31 per unit, increased \$35.9 million from \$35.6 million, or \$2.19 per unit in 2005. Excluding income fund conversion-related items, net earnings from continuing operations for the twelve months ended December 31, 2006 increased \$29.2 million as the positive impact of higher sales volumes and lower taxes were only partially offset by higher selling and administrative expenses.

Discontinued Operations

The \$1.3 million gain from discontinued operations reported in 2006 resulted from the reversal of certain reserves taken for estimated liabilities retained subsequent to the divestiture of Spencer Industries, Inc. ("Spencer") in 2005 that are no longer required. In particular, the claims experience for health benefits related to terminated employees over the last year were lower than expected.

Net earnings

Quarterly net earnings of \$19.4 million, or \$1.17 per unit, increased \$3.6 million compared to \$15.8 million, or \$0.95 per unit, in 2005. For the twelve months ended December 31, 2006,

net earnings of \$72.8 million, or \$4.39 per unit, increased \$39.7 million from \$33.1 million, or \$2.04 per unit in 2005.

Funded net debt

Funded net debt of \$68.4 million decreased \$3.5 million compared to September 30, 2006 as fourth quarter cash flows from continuing operating activities of \$22.4 million and discontinued operations of \$0.3 million were offset by \$15.3 million of cash distributions and \$3.9 million of capital spending. Compared to December 31, 2005 funded net debt increased \$32.5 million. The Fund's quarter-end debt-to-equity ratio of 0.35:1 at December 31, 2006 increased from last quarter's ratio of 0.34:1 and from last year's ratio of 0.18:1.

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

For the quarter ending December 31, 2006 distributable cash was \$18.6 million, or \$1.12 per unit, compared to \$15.5 million, or \$0.94 per unit, the previous year. For the same period distributions declared were \$2.06 per unit (2005 - \$1.39 per unit) and included monthly cash distributions of \$0.94 per unit (2005 - \$0.60 per unit), special cash distributions of \$1.12 per unit (2005 - \$0.65 per unit). In addition, a special non-cash distribution of \$0.14 per unit was declared in 2005.

For the twelve months ended December 31, 2006, distributable cash was \$74.0 million, or \$4.46 per unit. For the same period, distributions declared were \$4.43 per unit and included monthly cash distributions totaling \$3.31 per unit and a special cash distribution of \$1.12 per unit. For the period June 16, 2005 to December 31, 2005 distributable cash was \$2.02 per unit. For the same period, distributions declared were \$2.03 per unit and included monthly cash distributions totaling \$1.24 per unit, a special cash distribution of \$0.65 per unit and a special non-cash distribution of \$0.14 per unit.

Special distributions are declared to ensure, as provided by the Fund's Declaration of Trust, the Fund's total distributions for the year equal its taxable income.

Unitholder tax information relating to 2006 distributions is available on the Fund's website at www.wajax.com.

Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2006 of \$0.5 million, or \$0.03 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

Quarterly Results of Operations

Mobile Equipment

for the three months ended December 31	2006	2005
Equipment	\$98.3	\$103.3
Parts and service	\$41.3	\$42.4
Gross revenue	\$139.6	\$145.7
Segment earnings	\$9.8	\$9.2
Segment earnings margin	7.0%	6.3%

for the year ended December 31	2006	2005
Equipment	\$453.1	\$389.6
Parts and service	\$166.1	\$167.3
Gross revenue	\$619.2	\$556.9
Segment earnings	\$41.4	\$31.4
Segment earnings margin	6.7%	5.6%

Revenue in the fourth quarter of 2006 decreased 4%, or \$6.1 million, to \$139.6 million from \$145.7 million in 2005. Despite lower revenues, segment earnings increased \$0.6 million to \$9.8 million compared to the previous year. For the twelve months ended December 31, 2006, revenue increased 11%, or \$62.3 million, to \$619.2 million, while segment earnings increased \$10.0 million to \$41.4 million. The following factors contributed to the Mobile Equipment segment's fourth quarter results:

- Revenue in western Canada and Ontario decreased 2%, or \$2.0 million, as parts and service sales increased \$0.7 million and equipment sales decreased \$2.7 million.

Forestry and construction equipment revenues decreased \$3.3 million. An increase in new JCB equipment sales, primarily due to the acquisition of the Ontario based JCB distributor, Conley Equipment, in March 2006, was more than offset by declines in new Hitachi excavator sales resulting from fewer rental conversions during the quarter as fewer units were out on rent in early 2006 compared to last year (due to delivery delays caused by the manufacturer's model changes). Lower new forestry equipment sales were attributable to weaker demand.

Mining equipment revenues declined \$11.7 million due to deliveries made in 2005 under the North American Construction Group and Elk Valley Coal mining packages. Crane and utility equipment sales increased \$9.2 million, as a result of higher demand in western Canada and deliveries to a major hydro utility customer in Ontario. Material handling equipment sales increased \$3.1 million as a result of strong demand and higher market share in western Canada.

Parts and service volumes increased \$0.7 million compared to last year. Service revenues increased due to demand in western Canada's construction and forestry and mining sectors, but were partially offset by lower parts volumes largely from competitive pricing pressures in Ontario's material handling sector and several one-time mining rebuilds in 2005 not repeated in 2006.

Earnings increased \$1.6 million compared to last year as higher margins offset a \$0.5 million increase in selling and administrative expenses. Selling and administrative expenses increased as higher personnel costs in western Canada were only partially offset by improved cost recoveries compared to last year. Margins increased as a result of improved equipment, parts and service margins.

- In eastern Canada (Quebec and the Maritimes) revenue decreased 11%, or \$4.1 million, compared to last year as equipment revenue declined \$2.2 million and parts and service revenues declined by \$1.9 million.

Construction and forestry equipment sales increased \$3.3 million and included the sale of four small mining trucks and increases in new Hitachi excavator and JCB

construction equipment volumes. New forestry equipment sales declined resulting from the slow-down in the forestry sector.

Mining equipment sales declined \$5.1 million, due to the delivery of a LeTourneau loader in 2005.

Combined material handling and crane and utility equipment revenues decreased \$0.4 million compared to last year.

The parts and service revenue decline of \$1.9 million was almost entirely attributable to a reduction in mining sector volumes, due to two large parts orders from mines in Nova Scotia and Newfoundland in 2005 not repeated in 2006.

Earnings decreased \$1.0 million as the negative impact of lower volumes and margins was partially offset by a \$1.1 million decline in selling and administrative expenses. Margins declined as an increase in parts and service margins was more than offset by a decline in new construction and forestry equipment margins, resulting from competitive pricing pressures, and a \$0.5 million forestry equipment related inventory obsolescence provision. Selling and administrative expenses declined primarily due to lower personnel costs and higher expense recoveries.

Effective December 31, 2006, the operations of western Canada, Ontario and eastern Canada were merged under a common management group to enhance operating efficiencies of the Mobile Equipment segment. The resulting benefits should include reduced administrative costs, enhanced cost recovery programs and asset reductions through the central management of parts and wholegoods inventory.

The segment is continuing to capitalize on the significant growth potential of mining loading equipment, including the Hitachi shovels and LeTourneau loaders. Over \$60 million of equipment orders for 2007 have been booked. Prospects for additional orders remain strong.

As previously reported, the Mobile Equipment segment received an order from North American Construction Group for sixteen 320 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels, with deliveries commencing in 2005 and extending into 2008. There were no deliveries in the fourth quarter of 2006. As of December 31, 2006 six trucks and two shovels have been delivered. It is expected that the majority of the remaining truck deliveries will occur in 2008.

Industrial Components – Kinecor

for the three months ended December 31	2006	2005
Gross revenue	\$83.4	\$72.9
Segment earnings	\$4.4	\$4.3
Segment earnings margin	5.3%	5.9%

for the year ended December 31	2006	2005
Gross revenue	\$322.4	\$285.3
Segment earnings	\$20.7	\$13.3
Segment earnings margin	6.4%	4.6%

Revenue at Kinecor increased 14% in the fourth quarter of 2006, or \$10.5 million, to \$83.4 million from \$72.9 million in 2005 as all regions reported revenue improvements. Segment earnings increased \$0.1 million to \$4.4 million, compared to \$4.3 million the previous year. For the twelve months ended December 31, 2006, revenue increased 13%, or \$37.1 million, and segment earnings increased \$7.4 million to \$20.7 million compared to the same period last year. The following factors contributed to the segment's quarterly results:

- Bearings and power transmission parts sales increased 3%, or \$1.3 million, compared to last year largely due to increased sales to steel processors and mining customers, particularly in eastern Canada. Increased sales to manufacturing based customers in Ontario, primarily as a result of the acquisition of Intek Automation Inc. ("Intek") in April 2006, also contributed to the revenue increase. Offsetting these revenue gains was a \$2.3 million decline in forestry sector revenues compared to last year due to the shut-down of several mills in eastern and central Canada.
- Fluid power parts and service revenue increased 36%, or \$9.2 million, due to the continued strength of the oil and gas sector in western Canada, improved industrial market sales across eastern and western Canada, growth in sales of imported hydraulic products and revenues from the acquisition of Ontario based Baytec Fluid Power ("Baytec") in March, 2006.
- Segment earnings increased \$0.1 million to \$4.4 million as improved volumes more than offset lower margins. Gross margins decreased due to additional freight charges of \$0.3 million and lower volume rebates and an increase in competitive pricing pressure compared to last year. Selling and administrative expenses increased \$1.7 million due to costs related to the higher sales activity, the acquisitions of Baytec and Intek and additional charges, including bad debt expense, totaling \$0.5 million compared to last year.

Power Systems

for the three months ended December 31	2006	2005
Equipment	\$38.7	\$29.3
Parts and service	\$33.5	\$29.5
Gross revenue	\$72.2	\$58.8
Segment earnings	\$8.4	\$5.6
Segment earnings margin	11.7%	9.5%

for the year ended December 31	2006	2005
Equipment	\$139.4	\$104.3
Parts and service	\$128.3	\$105.4
Gross revenue	\$267.7	\$209.7
Segment earnings	\$26.8	\$18.7
Segment earnings margin	10.0%	8.9%

Revenue in the fourth quarter increased 23%, or \$13.4 million, to \$72.2 million compared to \$58.8 million in 2006. Segment earnings increased \$2.8 million in the quarter to \$8.4 million from \$5.6 million the previous year. For the twelve months ended December 31, 2006, revenue increased \$58.0 million, or 28%, to \$267.7 million, and earnings increased \$8.1 million to \$26.8 million. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems (“Waterous”) in western Canada was 30%, or \$12.0 million, higher compared to last year as equipment sales increased \$8.0 million and parts and service revenues increased \$4.0 million. Equipment revenues improved as Waterous continued to benefit from the strong Alberta oil and gas sector, and the acquisition of Midwest Detroit Diesel-Allison (“Midwest”) which generated an increase of \$1.7 million of equipment revenue during the quarter. Parts and service revenue increased \$4.0 million compared to last year as a result of a \$1.6 million increase in Midwest volumes, an increase in large engine repairs and strong market demand.
- Revenue at the eastern Canada operation, Detroit Diesel-Allison Canada East (“DD-ACE”) increased \$1.4 million. Equipment sales increased \$1.4 million as increased market demand led to higher generator set deliveries and an increase in engine sales to OEM customers. Parts and service revenues remained flat compared to the same period last year, as improved services volumes in the on-highway transportation and mining sectors offset a decline in parts revenue related to a decline in sales to dealers and transit authorities.
- Segment earnings increased \$2.8 million as the positive impact of higher overall volumes more than offset a \$0.7 million increase in selling and administrative expenses and a decline in margins. Selling and administrative expenses increased primarily as a result of increased sales activity and costs associated with Midwest. In addition, \$0.6 million of warranty costs included in selling and administrative expenses in 2005 were allocated to cost of sales in 2006. Margins declined mainly as a result of the allocation of warranty costs to cost of sales in 2006 and a higher proportion of lower margin equipment sales compared to last year.

In 2005, the Fund obtained the Canada-wide distribution rights for the GE Energy product line of natural gas and bio-gas engines for co-generation applications. The product’s applications include use in landfill sites, government and institutional facilities, and farming operations. Engine deliveries in 2007 are expected to exceed \$30 million and prospects for additional orders remain strong.

Discontinued Operations

On September 30, 2005, the assets of Spencer Industries Inc. (“Spencer”), the U.S. based operation of Industrial Components, were sold for cash proceeds of \$19.2 million. As a result, the revenues and the results of Spencer have been reported as discontinued activities in the consolidated statement of operations for 2006 and 2005 comparatives. During the quarter, a \$1.3 million gain resulted from the reversal of certain reserves taken for estimated liabilities retained subsequent to the divestiture of Spencer that are no longer required. In particular, the claims experience for health benefits related to terminated employees over the last year were lower than expected.

Selected Quarterly Information

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2 ⁽²⁾	Q1
Revenue	\$294.5	\$294.7	\$314.1	\$303.2	\$276.8	\$258.0	\$275.4	\$239.2
Net earnings from continuing operations	\$18.1	\$18.0	\$18.5	\$16.9	\$15.8	\$12.7	\$2.6	\$4.6
Net earnings from continuing operations per unit - Basic	\$1.09	\$1.09	\$1.11	\$1.02	\$0.95	\$0.77	\$0.16	\$0.29
- Diluted	\$1.08	\$1.08	\$1.11	\$1.02	\$0.94	\$0.76	\$0.16	\$0.28
Net earnings	\$19.4	\$18.0	\$18.5	\$16.9	\$15.8	\$9.4	\$3.0	\$5.0
Earnings per unit - Basic	\$1.17	\$1.09	\$1.11	\$1.02	\$0.95	\$0.56	\$0.19	\$0.32
- Diluted	\$1.16	\$1.08	\$1.11	\$1.02	\$0.94	\$0.56	\$0.19	\$0.31
Distributable cash ⁽¹⁾	\$18.6	\$19.4	\$17.5	\$18.5	\$15.5	\$14.2	\$3.8	-
Distributable cash per unit ⁽¹⁾ - Basic	\$1.12	\$1.17	\$1.05	\$1.11	\$0.94	\$0.85	\$0.23	-

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

(2) Q2 2005 net earnings from operations includes income fund conversion-related items totaling \$10.2 million (\$6.7 million after tax or \$0.42 per unit)

Historically the first and fourth quarter results reflect some seasonality of the Fund's business. The first quarter of each year is typically the weakest due to decreased activity in many of the sectors serviced by the Fund and the fourth quarter has historically been the strongest. During 2006, led by demand in the oil & gas sector in western Canada, revenues and earnings have remained relatively constant.

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

Liquidity and Capital Resources

The Fund generated \$18.5 million of cash from continuing operations before financing activities in the fourth quarter of 2006 compared to \$15.3 million in the fourth quarter of 2005. The \$3.2 million increase in cash flows from continuing operations before financing activities was due to higher earnings and lower investing activities which were partially offset by a lower reduction in non-cash working capital compared to the same period last year.

Cash generated by continuing operating activities amounted to \$22.4 million in the fourth quarter of 2006, with \$21.2 million of cash generated from operating earnings and \$1.2 million from non-cash working capital. Significant components of the change in non-cash working capital included the following:

- Accounts payable and accrued liabilities increased \$5.6 million which was largely attributable to higher customer deposits.
- Prepaid expenses increased \$2.0 million as a result of an increase in the amount of deposits with suppliers.

- Inventory increased \$1.5 million as higher inventory levels in the Mobile Equipment segment, related to scheduled deliveries in 2007, were offset by reductions in the Industrial Components and Power Systems segments as a result of improved inventory management.

During the quarter the Fund invested a net amount of \$3.9 million of the cash provided from operating activities. The investing activities included \$1.3 million of lift truck and JCB equipment rental fleet additions, net of disposals, and \$2.6 million of other various capital asset additions, net of disposals.

Funded net debt of \$68.4 million, decreased \$3.5 million compared to September 30, 2006 as cash flows from continuing operating activities of \$22.4 million and discontinued operations of \$0.3 million more than offset distributions paid of \$15.3 million and the \$3.9 million of investing activities described above. The Fund's quarter-end debt-to-equity ratio of 0.35:1 at December 31, 2006 increased from last quarter's ratio of 0.34:1 and from last years ratio of 0.18:1.

At December 31, 2006 the Fund had borrowed \$60 million and issued \$0.4 million of letters of credit for a total utilization of \$60.4 million of its \$130 million bank credit facility and had utilized \$2.7 million of its \$15 million equipment financing facility.

The Fund's \$130 million bank credit facility along with its \$15 million equipment financing demand facility should be sufficient to meet the Fund's short-term working capital and maintenance capital requirements. In the long-term the Fund may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditure requirements.

Financial Instruments

The Fund uses derivative financial instruments in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. Significant derivative financial instruments outstanding at the end of the quarter were as follows:

- The Fund entered into interest-rate swap contracts with two of its lenders in June 2005, such that in total the interest rate on the \$30 million non-revolving term portion of the bank credit facility is effectively fixed at 3.47% plus applicable margins until expiry of the facility on June 7, 2008. The differential the Fund would receive to hypothetically terminate or exchange the swap agreement in the prevailing market conditions, based on calculations provided by the counterparty, is estimated at \$0.3 million.
- The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at December 31, 2006, the Fund had contracts outstanding to buy \$9.5 million U.S. dollars and €0.3 million Euros (December 31, 2005 – to buy \$4.0 million U.S. dollars and €1.6 million Euros, to sell \$2.8 million U.S. dollars). The differential the Fund would receive to hypothetically terminate or exchange the currency forward contracts in the prevailing market conditions, based on calculations provided by the counterparty, is estimated to be \$0.3 million.

Off-Balance Sheet Arrangements

The Mobile Equipment segment had \$67.7 million of consigned inventory on-hand from a major manufacturer at December 31, 2006 compared to \$59.4 million the previous year. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in the Fund's inventory as the manufacturer retains title to the goods.

The Fund's off balance sheet financing arrangements with Wajax Finance (a "private label" financing operation of CIT Financial Ltd.) include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At December 31, 2006, the non-discounted operating lease commitment for the rental fleet was \$14.2 million (December 31, 2005 - \$14.3 million).

Non-GAAP Measures

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

"Earnings from continuing operations before interest and income taxes and income fund conversion-related items", and its per unit equivalent, is a non-GAAP financial measure that management believes is useful to investors because it excludes the impact of conversion-related items which are non-recurring in nature and therefore provide more meaningful information for investors and management, to assess the ongoing financial performance of the Fund. A reconciliation between reported "Net earnings" and "Earnings from continuing operations before interest and income taxes and income fund conversion-related items" is detailed in the Consolidated Results section above.

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

"Distributable cash" and "Distributable cash per unit" should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities from continuing operations adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$130 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding accounts trade receivable, and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through Wajax Finance, a "private label" financing operation of CIT Financial Ltd. See the Distributable Cash section below for the method of calculating the Fund's "Distributable cash".

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

Distributions

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

Distributions are based on distributable cash (see Non-GAAP Measures section) and dependent on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures. See Distributable Cash section below.

Cash distributions to unitholders were declared as follows:

Record Date	Payment Date	Per Unit	Amount
October 31, 2006	November 20, 2006	\$0.30	\$5.0
November 30, 2006	December 20, 2006	0.32	5.3
December 31, 2006	January 22, 2007	0.32	5.3
December 31, 2006 – Special ⁽¹⁾	January 22, 2007	1.12	18.6
Three months ended December 31, 2006		\$2.06	\$34.2
January 1, 2006 to September 30, 2006		2.37	39.3
Year ended December 31, 2006		\$4.43	\$73.5

(1) See Distributable Cash section below

Distributions paid by the Fund during the quarter were funded from cash generated by the Fund’s operations before changes in non-cash working capital.

During the quarter, the Fund increased its regular monthly distribution from \$0.30 per unit to \$0.32 per unit (\$3.84 per unit annualized) effective November 2006 to reflect the growth in the Fund’s distributable cash.

Unitholder tax information relating to 2006 distributions is available on the Fund’s website at www.wajax.com.

For the year ended December 31, 2005, Wajax Limited paid dividends on common shares of \$0.14 per share.

Distributable Cash⁽³⁾

	For the quarter ending December 31		For the year ended December 31
	2006	2005	2006
Distributable cash for the period⁽³⁾	2006	2005	2006
Cash flows from operating activities from continuing operations	\$22.4	\$24.3	\$56.2
Changes in non-cash working capital	(1.2)	(6.0)	28.9
Cash flows from continuing operations before changes in non-cash working capital	\$21.2	\$18.3	\$85.1
Maintenance capital expenditures ⁽¹⁾⁽³⁾	(2.4)	(2.6)	(10.4)
Amortization of deferred financing costs ⁽²⁾	(0.2)	(0.2)	(0.7)
Distributable cash ⁽³⁾	\$18.6	\$15.5	\$74.0
Distributable cash per unit ⁽³⁾ - Basic	\$1.12	\$0.94	\$4.46
- Diluted	\$1.11	\$0.93	\$4.44
Distributions declared per unit - Cash	\$0.94	\$0.60	\$3.31
- Special cash	\$1.12	\$0.65	\$1.12
- Non-cash	-	\$0.14	-
- Total	\$2.06	\$1.39	\$4.43

(1) Includes plant, equipment and rental equipment additions, net of disposals, and rental equipment transfers to inventory. Maintenance capital expenditures exclude acquisitions and land and building additions.

(2) Adjustment required to reflect financing costs, included in interest expense, over the term of the bank credit facility.

(3) See Non-GAAP Measures section above.

For the quarter ending December 31, 2006 distributable cash was \$18.6 million, or \$1.12 per unit, compared to \$15.5 million, or \$0.94 per unit, the previous year. For the same period distributions declared were \$2.06 per unit (2005 - \$1.39 per unit) and included monthly cash distributions of \$0.94 per unit (2005 - \$0.60 per unit), special cash distributions of \$1.12 per unit (2005 - \$0.65 per unit). In addition, a special non-cash distribution of \$0.14 per unit was declared in 2005.

For the twelve months ended December 31, 2006, distributable cash was \$74.0 million, or \$4.46 per unit. For the same period, distributions declared were \$4.43 per unit and included monthly cash distributions totaling \$3.31 per unit and a special cash distribution of \$1.12 per unit. For the period June 16, 2005 to December 31, 2005 distributions declared were \$2.03 per unit and included monthly cash distributions totaling \$1.24 per unit, a special cash distribution of \$0.65 per unit and a special non-cash distribution of \$0.14 per unit.

Special distributions are declared to ensure, as provided by the Fund's Declaration of Trust, the Fund's total distributions for the year equal its taxable income.

Distributable cash (see Non-GAAP Measures section) is dependent on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures (see Non-GAAP Measures). Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$130 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding accounts trade receivable, and a \$15 million demand inventory equipment financing facility with a non-bank lender. Maintenance capital expenditures represents cash expenditures required to maintain normal

operations and exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2006 of \$0.5 million, or \$0.03 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

Unit Capital

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

Issued and fully paid Trust Units as at December 31, 2006	Number	Amount
Balance at the beginning of quarter	16,585,206	\$104.9
Rights exercised	-	-
Balance at end of quarter	16,585,206	\$104.9

The Fund has two unit rights plans that issue rights to the participants which are settled by issuing Wajax Income Fund units: the Wajax Unit Ownership Plan in which certain members of management participate and the Trustees' Deferred Unit Plan. Compensation expense is determined based upon the fair value of the rights when issued and recognized over the vesting period. The Fund recorded compensation cost of \$259 thousand for the quarter (2005 - \$44 thousand) and \$854 thousand for the year to date (2005 - \$764 thousand) in respect of these plans.

Critical Accounting Estimates

Critical accounting estimates used by the Fund's management are discussed in detail in the MD&A for the year ended December 31, 2006 which can be found on SEDAR at www.sedar.com.

Changes in Accounting Policy

Changes in accounting policies are discussed in detail in the MD&A for the year ended December 31, 2006 which can be found on SEDAR at www.sedar.com.

Risks and Uncertainties

As with most businesses, the Fund is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. The Fund attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2006 which can be found on SEDAR at www.sedar.com. For the period January 1, 2006 to March 6, 2007, except as noted below, there have been no material changes to the business of the Fund that require an update to the discussion of the applicable risks discussed in the MD&A

for the year ended December 31, 2006.

Tax Related Risk

On December 21, 2006 the Minister of Finance (Canada) released draft legislation (the "Proposals") relating to the federal income taxation of publicly-traded trusts and partnerships. The Proposals are contemplated to apply to a publicly-traded trust that is a specified investment flow-through entity (a "SIFT") which existed before November 1, 2006 ("Existing Trust") commencing with taxation years ending in or after 2011.

Certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital will not be subject to this tax. There will be circumstances where an Existing Trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006.

The Fund is a SIFT as defined in the Proposals. If enacted, the Fund would be subject to taxes on substantially all of its income. The Fund would also be required to recognize future income tax assets and liabilities with respect to the temporary differences of its assets and liabilities and those of its subsidiaries that are expected to reverse in or after 2011.

The Fund is considering these announcements and the possible impact of the Proposals to the Fund. The Proposals may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions, and, at such times as the Proposals apply to the Fund, the distributable cash of the Fund may be significantly reduced.

Outlook

The financial performance of the Fund continued to be very strong in the fourth quarter and the Fund posted record revenue and earnings for the 2006 full year. Management believes one of the main strengths of the Fund is the diversification of the industry sectors it relies on to generate revenue. In 2006, the Fund benefited from industry sectors which enjoyed tremendous growth, such as oil and gas, mining and construction, which more than overshadowed weaker sectors, such as forestry.

Looking forward to 2007, management expects another good year for the Fund. The outlook for growth in the Canadian economy remains positive, although at a slower pace than experienced in 2006. Activity in the western Canada oil and gas sector, while expected to moderate somewhat compared to 2006 due to reduced natural gas drilling activity, is expected to remain relatively robust. A strong Canadian dollar, high energy costs and industry consolidation are expected to continue to dampen prospects in the forestry sector and residential construction is forecasted to soften somewhat. Mitigating these factors are opportunities to capitalize on increased demand for mining loading equipment as management expects the mining sector, including the oil sands, will continue to grow. Additionally, projects in the Ontario energy sector should create considerable opportunity for growth in sales of bio and natural gas engines by the Fund's Power Systems unit. As well, management expects to improve operating results through the continued development of cost recovery initiatives, realize operational efficiencies through the consolidation of the Mobile Equipment group under

a single management team and enhance margins and volume in Industrial Components by further developing imported product lines.

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the twelve months ended December 31, 2006

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3(3) (a):

The attached consolidated financial statements have been prepared by Management of Wajax Income Fund and have not been reviewed by the auditors of Wajax Income Fund.

WAJAX INCOME FUND
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	December 31 2006 unaudited	December 31 2005 unaudited
Current Assets		
Cash and cash equivalents	\$ -	\$ 4,840
Accounts receivable	145,583	130,008
Inventories	232,318	188,570
Future income taxes	3,571	5,362
Prepaid expenses	7,451	3,839
Discontinued operations (note 5)	178	667
	389,101	333,286
Non-Current Assets		
Rental equipment	18,893	17,249
Property, plant and equipment	33,280	28,983
Goodwill and other assets	60,036	59,232
Future income taxes	473	1,437
	112,682	106,901
	\$ 501,783	\$ 440,187
Current Liabilities		
Bank indebtedness	\$ 5,668	\$ -
Accounts payable and accrued liabilities	206,096	179,615
Distributions payable to unitholders	23,883	14,261
Income taxes payable	2,710	3,185
Equipment notes payable	2,734	5,719
Discontinued operations (note 5)	600	2,469
	241,691	205,249
Non-Current Liabilities		
Future income taxes	-	182
Other liabilities	120	-
Long-term pension liability	2,777	2,695
Long-term debt	60,000	35,000
	62,897	37,877
Unitholders' Equity		
Trust units (note 1)	104,871	104,818
Unit-based compensation	1,565	764
Accumulated earnings	90,759	91,479
	197,195	197,061
	\$ 501,783	\$ 440,187

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(in thousands of dollars, except per unit data)	Three months ended December 31 unaudited		Year ended December 31 unaudited	
	2006	2005	2006	2005
Revenue	\$ 294,508	\$ 276,830	\$ 1,206,524	\$ 1,049,416
Cost of sales	227,377	214,648	940,348	818,031
Gross profit	67,131	62,182	266,176	231,385
Selling and administrative expenses	47,001	44,631	186,874	175,971
Income fund conversion-related costs	-	-	-	2,606
Earnings from continuing operations before interest and income taxes	20,130	17,551	79,302	52,808
Interest expense	1,265	821	4,453	4,603
Early extinguishment of long-term debt	-	-	-	7,592
Earnings from continuing operations before income taxes	18,865	16,730	74,849	40,613
Income tax expense (recovery) - current	288	1,251	819	7,541
- future	521	(273)	2,573	(2,506)
Net earnings from continuing operations	\$ 18,056	\$ 15,752	\$ 71,457	\$ 35,578
Gain(loss) from discontinued operations (note 5)	1,294	-	1,294	(2,474)
Net earnings	19,350	15,752	72,751	33,104
Accumulated earnings, beginning of period, as reported	105,574	96,510	91,479	92,222
Adjustment to future income tax in consequence of the income fund conversion	-	-	-	(216)
Distributions	(34,165)	(20,783)	(73,471)	(31,422)
Dividends on common shares	-	-	-	(2,209)
Accumulated earnings, end of period	\$ 90,759	\$ 91,479	\$ 90,759	\$ 91,479
Earnings per unit from continuing operations (note 2) – basic	\$ 1.09	\$ 0.95	\$ 4.31	\$ 2.19
– diluted	1.08	0.94	4.28	2.19
Earnings per unit (note 2) – basic	1.17	0.95	4.39	2.04
– diluted	1.16	0.94	4.36	2.03
Number of trust units outstanding	16,585,206	16,582,530	16,585,206	16,582,530
Number of Trustees' Deferred Unit Plan and Wajax Unit Ownership Plan rights outstanding	105,203	89,979	105,203	89,979

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended December 31

(in thousands of dollars)	2006 unaudited	2005 unaudited
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 18,056	\$ 15,752
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,127	982
- Property, plant and equipment	1,152	1,418
- Deferred expenses and intangible assets	299	206
Employees' pension plans, net of contributions made	(223)	156
Non-cash rental expense	31	38
Unit compensation expense (note 3)	259	44
Future income taxes	521	(273)
Cash flows from continuing operations before changes in non-cash working capital	21,222	18,323
Changes in non-cash working capital		
Accounts receivable	(1,204)	4,418
Inventories	(1,455)	386
Prepaid expenses	(1,950)	(353)
Accounts payable and accrued liabilities	5,617	857
Income taxes payable	130	696
	1,138	6,004
Cash flows from operating activities from continuing operations	22,360	24,327
INVESTING ACTIVITIES		
Rental equipment additions	(1,334)	(1,893)
Proceeds on disposal of rental equipment	50	392
Property, plant and equipment additions	(2,764)	(1,408)
Proceeds on disposal of property, plant and equipment	140	64
Acquisition of businesses	-	(6,216)
	(3,908)	(9,061)
Cash flows from continuing operations before financing activities	18,452	15,266
FINANCING ACTIVITIES		
Decrease in long-term bank debt	(10,000)	(29,000)
Increase in deferred financing costs	-	(263)
Repayment of debt upon acquisition of business	-	(1,445)
(Decrease) increase in equipment notes payable	(2,341)	5,719
Distributions paid	(15,258)	(9,562)
	(27,599)	(34,551)
Net change in cash and cash equivalents before discontinued operations	\$ (9,147)	\$ (19,285)
Cash and cash equivalents from discontinued operations (note 5)	339	747
Cash and cash equivalents – beginning of period	3,140	23,378
(Bank indebtedness) cash and cash equivalents – end of period	\$ (5,668)	\$ 4,840

Cash flows from operating activities from continuing operations include the following:

Interest paid	\$ 1,239	\$ 628
Income taxes paid	\$ 158	\$ 597
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 336	\$ 247

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

(in thousands of dollars)

	2006 unaudited	2005 unaudited
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 71,457	\$ 35,578
Items not affecting cash flows:		
Amortization		
- Rental equipment	4,278	4,009
- Property, plant and equipment	4,674	5,196
- Deferred expenses and intangible assets	1,042	767
Write off of deferred charges	-	867
Employees' pension plans, net of contributions made	103	643
Non-cash rental expense	122	297
Unit compensation expense (note 3)	854	1,183
Future income taxes	2,573	(2,506)
Cash flows from continuing operations before changes in non-cash working capital	85,103	46,034
Changes in non-cash working capital		
Accounts receivable	(13,026)	(18,652)
Inventories	(35,765)	(34,062)
Prepaid expenses	(3,595)	216
Accounts payable and accrued liabilities	23,963	26,346
Income taxes payable	(488)	(6,388)
	(28,911)	(32,540)
Cash flows from operating activities from continuing operations	56,192	13,494
INVESTING ACTIVITIES		
Rental equipment additions	(9,006)	(8,217)
Proceeds on disposal of rental equipment	1,123	2,003
Property, plant and equipment additions	(8,683)	(4,852)
Proceeds on disposal of property, plant and equipment	339	103
Acquisition of businesses (note 9)	(8,192)	(6,216)
	(24,419)	(17,179)
Cash flows from (used in) continuing operations before financing activities	31,773	(3,685)
FINANCING ACTIVITIES		
Issuance of common shares on exercise of stock options	-	5,314
Repayment of long-term debt	-	(78,477)
Income fund conversion costs charged to trust units	-	(3,678)
Repayment of debt upon acquisition of business (note 9)	(446)	(1,445)
Increase in long-term bank debt	25,000	35,000
Increase in deferred financing costs	(35)	(2,081)
Hedging activities	-	(910)
(Decrease) increase in equipment notes payable	(2,985)	5,719
Increase in other liabilities	120	-
Distributions paid	(63,849)	(17,161)
Dividends paid	-	(2,209)
	(42,195)	(59,928)
Net change in cash and cash equivalents before discontinued operations	\$ (10,422)	\$ (63,613)
Cash and cash equivalents (used in) from discontinued operations (note 5)	(86)	19,044
Cash and cash equivalents – beginning of period	4,840	49,409
(Bank indebtedness) cash and cash equivalents – end of period	\$ (5,668)	\$ 4,840

Cash flows from operating activities from continuing operations include the following:

Interest paid	\$ 3,831	\$ 5,183
Income taxes paid	\$ 1,283	\$ 13,878

Significant non-cash transactions:

Rental equipment transferred to inventory	\$ 1,961	\$ 1,308
Note receivable transferred from inventory	\$ -	\$ 377

WAJAX INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(tabulated in thousands of dollars)
(unaudited)

Note 1 Structure of the trust and basis of presentation

Wajax Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose investment trust governed by the laws of Ontario pursuant to the declaration of trust dated April 27, 2005. The Fund was created to indirectly acquire all the outstanding shares of Wajax Limited ("Wajax") and exchange those on an equal basis for Wajax Trust Units ("Units") in the Fund pursuant to a Plan of Arrangement (the "Arrangement") effective June 15, 2005. The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro-rata in any distribution from the Fund.

The Fund is considered to be a continuation of Wajax following the continuity of interest method of accounting, which recognizes the Fund as the successor entity to Wajax. Accordingly, these interim consolidated financial statements reflect the financial position, results of operations and cash flows as if the Fund had always carried on the business formerly carried on by Wajax with all assets and liabilities recorded at the carrying values of Wajax.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the audited annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of the Fund for the year ended December 31, 2006. The significant accounting policies follow those disclosed in the most recently reported annual financial statements.

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

Note 2 Earnings per unit

The following table sets forth the computation of basic and diluted earnings per unit (in thousands, except unit and per unit information):

Three months ended December 31	2006		2005
Numerator for basic and diluted earnings per unit:			
– net earnings from continuing operations	\$	18,056	\$ 15,752
– net earnings	\$	19,350	\$ 15,752
Denominator for basic earnings per unit :			
– weighted average units		16,585,206	16,582,530

Three months ended December 31	2006		2005
Denominator for diluted earnings per unit:			
– weighted average units	16,585,206		16,582,530
– effect of dilutive unit rights	100,740		88,915
Denominator for diluted earnings per unit	16,685,946		16,671,445
Basic earnings per unit from continuing operations	\$ 1.09	\$	0.95
Diluted earnings per unit from continuing operations	\$ 1.08	\$	0.94
Basic earnings per unit	\$ 1.17	\$	0.95
Diluted earnings per unit	\$ 1.16	\$	0.94

Year ended December 31	2006		2005
Numerator for basic and diluted earnings per unit:			
– net earnings from continuing operations	\$ 71,457	\$	35,578
– net earnings	\$ 72,751	\$	33,104
Denominator for basic earnings per unit : – weighted average units	16,584,766		16,227,812
Denominator for diluted earnings per unit:			
– weighted average units	16,584,766		16,227,812
– effect of dilutive unit rights	95,162		47,053
Denominator for diluted earnings per unit	16,679,928		16,274,865
Basic earnings per unit from continuing operations	\$ 4.31	\$	2.19
Diluted earnings per unit from continuing operations	\$ 4.28	\$	2.19
Basic earnings per unit	\$ 4.39	\$	2.04
Diluted earnings per unit	\$ 4.36	\$	2.03

At the end of the quarter 70,217 rights were outstanding under the Wajax Unit Ownership Plan (2005 – 63,040) and 34,986 rights were outstanding under the Trustees’ Deferred Unit Plan (2005 – 26,939). No options or unit rights were excluded from the above calculations as none were anti-dilutive.

Note 3 Unit-based compensation plans

The Fund has three new unit-based compensation plans: the Wajax Unit Ownership Plan (“UOP”), the Trustees’ Deferred Unit Plan (“TDUP”) and the Mid-Term Incentive Plan (“MTIP”). The UOP and the TDUP issue rights to the participants which are settled by issuing Wajax

Income Fund units, while the MTIP consists of an annual grant that vests over three years and is based upon performance vesting criteria. Compensation expense for the UOP and the TDUP is determined based upon the fair value of the rights at date of grant and charged to operations on a straight line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period.

During the quarter 1,975 rights were granted under the UOP and 3,822 rights were granted under the TDUP. During the 2005 quarter no stock options were exercised.

Year to date, 7,177 rights were granted under the UOP and 10,723 rights were granted under the TDUP. Also during the year 2,676 rights were exercised under the TDUP which were settled by issuing Wajax Income Fund units. In 2005, 843,070 stock options were exercised with a weighted average exercise price of \$6.30.

The Fund recorded compensation cost of \$259 for the quarter (2005 – \$44) and \$854 for the year to date (2005 - \$764) in respect of unit rights plans and \$228 for the quarter (2005 – \$Nil) and \$403 for the year to date (2005 - \$Nil) in respect of the unit based MTIP. In 2005, the Fund recorded compensation cost of \$419 in respect of employee stock options granted after December 31, 2002. Wajax had accounted for employee stock options using the intrinsic value method prior to 2003 and accordingly has not recorded compensation cost for grants prior to that year. There would have been a nominal reduction in both net earnings and earnings per share in 2005 if Wajax had accounted for employee stock options issued in 2002 under the fair value method.

Note 4 Financial instruments

The Fund has entered into interest-rate swap contracts with two of its lenders, such that in total the interest rate on \$30 million of its non-revolving term facility is effectively fixed at 3.47% plus applicable margins until expiry of the facility on June 7, 2008. The differential the Fund would receive to hypothetically terminate or exchange the swap agreement in the prevailing market conditions is estimated at \$0.3 million.

The Fund enters into short-term foreign currency contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to customers as part of its normal course of business. As at December 31, 2006, the Fund had contracts outstanding to buy \$9.5 million U.S. dollars and €0.3 million Euros (December 31, 2005 – to buy \$4.0 million U.S. dollars and €1.6 million Euros, and to sell \$2.8 million U.S. dollars). The differential the Fund would receive to hypothetically terminate or exchange the currency forward contracts in the prevailing market conditions is estimated to be \$0.3 million.

Note 5 Discontinued operations

On September 30, 2005 the assets of Spencer Industries Inc. ("Spencer"), the U.S. based operation of Industrial Components, were sold for cash proceeds of \$19.2 million. For 2006, the gain resulted from the reversal of certain reserves taken for estimated liabilities relating to the sale of Spencer. In particular, claims for health benefits related to terminated employees over the last year were lower than expected. The results of operations, cash flows, and financial position of Spencer have been reported as discontinued operations in the consolidated financial statements since the Fund will not have a continuing involvement in the ongoing operations of Spencer.

Year ended December 31	2006		2005	
Sales	\$	-	\$	48,194
Gain (loss), net of future taxes of 2006 - \$Nil; 2005 – (\$2,735)		1,294		(2,474)
Gain (loss) from discontinued operations	\$	1,294	\$	(2,474)

The assets and liabilities of the discontinued operations are as follows:

	December 2006		December 2005	
Total assets	\$	178	\$	667
Current liabilities	\$	600	\$	2,469

Cash flows from discontinued operations consist of cash and cash equivalents (used in) from:

Three months ended December 31	2006		2005	
Investing activities		324		758
Effect of foreign exchange on translation adjustment		15		(11)
Cash and cash equivalents from discontinued operations	\$	339	\$	747

Year ended December 31	2006		2005	
Operating activities	\$	-	\$	(2,304)
Investing activities		(83)		19,126
Effect of foreign exchange on translation adjustment		(3)		2,222
Cash and cash equivalents (used in) from discontinued operations	\$	(86)	\$	19,044

Note 6 Employees' pension plans

Net pension plan expenses are as follows:

For the three months ended December 31	2006		2005	
Net pension plan expense – defined benefit plans	\$	242	\$	202
Net pension plan expense – defined contribution plans		1,019		866
	\$	1,261	\$	1,068

For the year ended December 31	2006		2005	
Net pension plan expense – defined benefit plans	\$	1,056	\$	846
Net pension plan expense – defined contribution plans		4,243		3,670
	\$	5,299	\$	4,516

Note 7 Segmented information

For the three months ended December 31	2006		2005	
Revenue				
Mobile Equipment	\$	139,630	\$	145,699
Industrial Components		83,384		72,885
Power Systems		72,151		58,844
Segment eliminations		(657)		(598)
Revenue from continuing operations	\$	294,508	\$	276,830

Segment Earnings				
Mobile Equipment	\$	9,796	\$	9,215
Industrial Components		4,417		4,250
Power Systems		8,389		5,551
Corporate costs and eliminations		(2,472)		(1,465)
Earnings from continuing operations	\$	20,130	\$	17,551

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

For the year ended December 31	2006		2005	
Revenue				
Mobile Equipment	\$	619,214	\$	556,875
Industrial Components		322,449		285,343
Power Systems		267,711		209,680
Segment eliminations		(2,850)		(2,482)
Revenue from continuing operations	\$	1,206,524	\$	1,049,416

Segment Earnings				
Mobile Equipment	\$	41,422	\$	31,371
Industrial Components		20,677		13,250
Power Systems		26,794		18,730
Corporate costs and eliminations		(9,591)		(7,937)
Income fund conversion-related costs		-		(2,606)
Earnings from continuing operations	\$	79,302	\$	52,808

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

Note 8 Contingencies

In August 2004, a statement of claim was served naming the Fund's subsidiary, Wajax Limited, and a subsidiary, since amalgamated into Wajax Limited, as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. Management has assessed the facts and arguments pleaded and believes the claims are unlikely to succeed. A statement of defence has been filed.

Note 9 Acquisitions

On March 17, 2006, the Fund's Mobile Equipment segment acquired the assets of Conley Equipment Limited ("Conley"), the JCB dealer for most of the Greater Toronto Area and eastern Ontario, including Ottawa, for approximately \$6.2 million, which is subject to post closing adjustments.

On March 22, 2006 the Fund's Industrial Components segment acquired the shares of Baytec Fluid Power Limited ("Baytec") for approximately \$1.7 million, which is subject to post closing adjustments. Pursuant to the Agreement of Purchase and sale, depending on Baytec's earnings before interest and taxes during the 24 month period following the transaction, the purchase price may be increased by up to \$0.6 million with the additional amount being paid to goodwill.

On April 28, 2006, the Fund's Industrial Components segment acquired the shares of Intek Automation Inc. ("Intek"), a power transmission product distribution business located in Mississauga, Ontario for approximately \$1.9 million, which is subject to post closing adjustments.

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

The following is a summary of the purchase price allocation:

	Conley	Baytec	Intek	Total
Working capital	\$ 5,883	\$ 638	\$ 597	\$ 7,118
Property, plant and equipment	128	456	43	627
Goodwill and intangibles	200	645	1,250	2,095
Purchase price	6,211	1,739	1,890	9,840
Assumed Debt	-	(446)	-	(446)
Total consideration given	6,211	1,293	1,890	9,394
Less: Holdbacks	(529)	(383)	(290)	(1,202)
Total cash paid	\$ 5,682	\$ 910	\$ 1,600	\$ 8,192

Note 10 Comparative information

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