



WJAX INCOME FUND
News Release

TSX Symbol: WJX.UN

**WJAX ANNOUNCES SECOND QUARTER 2007 RESULTS AND RAISES
DISTRIBUTIONS**

(Dollars in millions, except per unit data)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Revenue	\$319.1	\$314.1	\$621.4	\$617.3
Net earnings	\$15.0	\$18.5	\$33.8	\$35.4
Distributable cash *	\$15.9	\$17.5	\$35.2	\$36.0
Earnings per unit (basic)	\$0.91	\$1.11	\$2.03	\$2.13
Distributable cash per unit (basic) *	\$0.96	\$1.05	\$2.12	\$2.17
Cash distributions declared per unit	\$0.96	\$0.79	\$1.92	\$1.50

* Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A).

Toronto, Ontario – August 8, 2007 – Wajax Income Fund today announced second quarter 2007 results.

Second Quarter Highlights

- Revenues increased \$5.0 million, or 2% compared to last year. Mobile Equipment revenues were relatively unchanged, Industrial Components decreased 4% and Power Systems were up 14%. The slowdown in natural gas drilling negatively impacted revenues, while new mining equipment deliveries continued to be strong in Mobile Equipment. Power Systems benefited from \$15.0 million of GE Energy engine sales.
- Earnings were less than last year as a result of a \$2.4 million write-down of forestry equipment inventory related to a supplier insolvency and a \$1.5 million future income tax expense resulting from federal government legislation to tax publicly traded trusts in 2011. Excluding these two items basic earnings per share would have been \$1.14 in the quarter compared to \$1.11 last year.

- The Fund also announced it has agreed to sell land it had been holding for development of a new Power Systems facility in Edmonton for \$5.5 million. This will result in a \$2.4 million gain to be recorded in the third quarter when the sale is expected to close. Productivity gains combined with expansion of other facilities will allow Waterous to continue to operate out of its current Edmonton location.
- Basic distributable cash (see Non-GAAP Measures section in the MD&A) of \$0.96 per unit was lower than the previous year as a result of the forestry equipment inventory write-down. Excluding this item, distributable cash in the quarter would have been \$1.10 per unit.
- The Fund announced an increase in the monthly distribution for August to \$0.33 per unit (\$3.96 per unit annualized), payable on September 20, 2007, to unitholders of record on August 31, 2007.

Commenting on the second quarter results and the outlook for 2007, Neil Manning, President and CEO, stated “Our second quarter segment earnings were negatively impacted by a supplier related forestry equipment inventory write-down, which should not negatively affect earnings going forward, and a future income tax adjustment. However, as expected, mining equipment deliveries were strong in Mobile Equipment and sales of GE natural and biogas engines boosted revenue in our Power Systems business. While we experienced reduced drilling activity in western Canada, we have increased distributions as we continue to believe 2007 will be another good year for the Fund.”

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

Wajax will Webcast its Second Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Wednesday, August 8, 2007 at 3:00 p.m. ET. To access the Webcast, enter www.wajax.com and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

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

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Management's Discussion and Analysis – Q2 2007

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 three and six-month periods ended June 30, 2007. This MD&A should be read in conjunction with the information contained in the Unaudited Consolidated Financial Statements and accompanying notes for the three and six-month periods ended June 30, 2007, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2006 and the associated MD&A. Information contained in this MD&A is based on information available to management as of August 8, 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 quarterly unaudited 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

The Fund has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Fund is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. The Fund has designed internal controls over financial reporting 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. Except as noted below, there has been no change in the Fund's internal control over financial reporting that occurred during the second quarter of fiscal 2007 that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

The operations of the Mobile Equipment segment in eastern Canada have been merged with the operations in western Canada. During the second quarter, as part of the ongoing merger, the finance groups were combined, computer systems were consolidated, certain administrative processes were centralized and, where practices differed, many were harmonized across the segment. Cumulatively, these changes have materially affected the Fund's internal controls over financial reporting.

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 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. The 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

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenue	\$319.1	\$314.1	\$621.4	\$617.3
Gross profit	\$67.3	\$67.8	\$136.8	\$134.2
Selling and administrative expenses	\$49.3	\$47.2	\$98.4	\$94.8
Earnings before interest and income taxes	\$18.0	\$20.6	\$38.4	\$39.4
Interest expense	\$1.3	\$1.1	\$2.7	\$1.9
Income tax expense	\$1.6	\$1.0	\$1.9	\$2.1
Net earnings	\$15.0	\$18.5	\$33.8	\$35.4
Distributable cash (1)	\$15.9	\$17.5	\$35.2	\$36.0
Distributions declared	\$15.9	\$13.1	\$31.8	\$24.9
Distributions paid	\$15.9	\$12.8	\$50.4	\$34.7
Earnings per unit				
- Basic	\$0.91	\$1.11	\$2.03	\$2.13
- Diluted	\$0.90	\$1.11	\$2.02	\$2.12
Distributable cash per unit (1)(2)				
- Basic	\$0.96	\$1.05	\$2.12	\$2.17
- Diluted	\$0.95	\$1.05	\$2.11	\$2.16
Distributions declared per unit (2)	\$0.96	\$0.79	\$1.92	\$1.50
Distributions paid per unit (2)	\$0.96	\$0.77	\$3.04	\$2.09

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

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

Revenue

Revenue in the second quarter of 2007 increased \$5.0 million to \$319.1 million from \$314.1 million in 2006. Segment revenue increased 14% in Power Systems while revenue fell 4% in Industrial Components and remained flat in Mobile Equipment. For the six months ended June 30, 2007, revenue increased \$4.1 million, or 1%.

Gross profit

Gross profit in the second quarter of 2007 decreased \$0.5 million due to the impact of lower gross profit margins offset in part by higher volumes. The gross profit margin percentage for the quarter decreased to 21.1% in 2007 from 21.6% in 2006 due principally to a \$2.4 million inventory write-down of forestry equipment in the Mobile Equipment segment due to the insolvency of Direct Technologies Inc. ("Direct"). Excluding the forestry equipment inventory write-down, the gross profit percentage increased to 21.8% in the second quarter of 2007 compared to 21.6% in 2006.

For the six months ended June 30, 2007, gross profit increased \$2.6 million due to higher volumes and a slight increase in gross margins to 22.0% from 21.7% last year. Excluding the forestry equipment inventory write-down, the gross profit percentage increased to 22.4% for the six months ended June 30, 2007 compared to 21.7% last year due mainly to higher new equipment margins.

Selling and administrative expenses

Selling and administrative expenses increased \$2.1 million in the quarter as a result of increased costs related to higher personnel and occupancy costs in Mobile Equipment and Power Systems compared to last year. As a result, selling and administrative expenses as a percentage of revenue increased to 15.4% from 15.0%.

For the six months ended June 30, 2007 selling and administrative expenses increased \$3.6 million compared to 2006, due mainly to increased personnel and occupancy costs. As a result, selling and administrative expenses as a percentage of revenue increased to 15.8% from 15.4%.

Interest expense

Quarterly interest expense of \$1.3 million and for the six months ended June 30, 2007 of \$2.7 million, represented increases of \$0.2 million and \$0.8 million from the previous year respectively. The higher interest expense was primarily a result of higher funded debt net of cash ("funded net debt") outstanding in 2007 compared to last year.

Income tax expense

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that it is distributed to its unitholders. The Fund's subsidiaries are, however, subject to income taxation and provide for income tax obligations based on statutory corporate tax rates.

On June 12, 2007, Bill C-52 Budget Implementation Act, 2007 was substantively enacted by the Canadian federal government, which contains legislation to tax certain publicly traded trusts in Canada. As a result, a new 31.5 % tax will be applied to certain distributions from Canadian public income trusts. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. As a result of this substantive enactment of trust taxation, the Fund recorded an additional \$1.5 million future income tax expense and increased its future income tax liability in the second quarter of 2007. The future income tax adjustment represents the taxable temporary differences of the Fund that will reverse after 2010 tax-effected at 31.5 per cent, which is the rate that will be applicable in 2011 under the current legislation and the Fund's current structure.

The effective income tax rate of 9.7% for the quarter increased from 5.3% the previous year due to the additional \$1.5 million of future tax expense described above. This was partially offset by an 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.

For the six months ended June 30, 2007 the effective tax rate decreased to 5.4% from 5.6% the previous year for the same reasons noted above.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 33.5% as the majority of the Fund's income is not subject to tax in the Fund.

Net earnings

Quarterly net earnings of \$15.0 million or \$0.91 per unit, decreased \$3.5 million from \$18.5 million, or \$1.11 per unit, in 2006 as the negative impact of lower margins, increased selling and administrative expenses, higher interest and income tax expenses more than offset the

positive impact of higher volumes. Included in earnings are the \$2.4 million forestry equipment inventory write-down and the additional \$1.5 million of future income tax expense, totaling \$3.9 million or \$0.22 per unit after tax.

For the six months ended June 30, 2007 net earnings of \$33.8 million, or \$2.03 per unit, decreased \$1.6 million compared to \$35.4 million, or \$2.13 per unit, in 2006.

Comprehensive income

Comprehensive income for the quarter of \$15.1 million decreased \$3.4 million from \$18.5 million the previous year due to a \$3.5 million reduction in net earnings partially offset by an other comprehensive gain of \$0.1 million for the quarter. For the six months ended June 30, 2007, comprehensive income of \$33.6 million decreased \$1.8 million from \$35.4 million the previous year due to a \$1.6 million reduction in net earnings and an other comprehensive loss of \$0.2 million. There was no other comprehensive income recorded last year, see the Changes in Accounting Policy section.

Funded net debt

Funded net debt of \$86.6 million decreased \$10.1 million compared to March 31, 2007 as second quarter cash flows from continuing operating activities of \$30.0 million and discontinued operations of \$0.1 million were only partially offset by \$15.9 million of cash distributions and \$4.1 million of capital spending.

Compared to June 30, 2006 funded net debt increased \$25.8 million. The Fund's quarter-end debt-to-equity ratio of 0.43:1 at June 30, 2007 decreased from last quarter's ratio of 0.49:1 and increased from last year's ratio of 0.29:1.

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

For the quarter ended June 30, 2007 distributable cash was \$15.9 million, or \$0.96 per unit, compared to \$17.5 million, or \$1.05 per unit, the previous year. The \$1.6 million reduction in distributable cash is due primarily to lower earnings compared to last year. For the same period distributions declared were \$0.96 per unit (2006 - \$0.79 per unit).

Distributable cash was equal to cash distributions declared for the three months ended June 30, 2007.

For the six months ended June 30, 2007 distributable cash was \$35.2 million, or \$2.12 per unit, compared to \$36.0 million, or \$2.17 per unit, the previous year. The \$0.8 million reduction in distributable cash is due primarily to lower earnings compared to last year. For the same period, distributions declared were \$1.92 per unit (2006 - \$1.50 per unit).

Distributable cash in excess of cash distributions declared for the six months ended June 30, 2007 of \$3.4 million, or \$0.20 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

The Fund announced an increase in the monthly distribution for August to \$0.33 per unit (\$3.96 per unit annualized), payable on September 20, 2007, to unitholders of record on August 31, 2007.

Unitholder tax information relating to 2007 distributions is available on the Fund's website at www.wajax.com.

Quarterly Results of Operations

Mobile Equipment

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Equipment	\$124.9	\$126.1	\$233.8	\$243.1
Parts and service	\$43.0	\$42.3	\$85.7	\$85.1
Gross revenue	\$167.9	\$168.4	\$319.5	\$328.2
Segment earnings	\$9.8	\$11.4	\$21.0	\$21.3
Segment earnings margin	5.8%	6.8%	6.6%	6.5%

Revenue in the second quarter of 2007 decreased \$0.5 million to \$167.9 million compared to \$168.4 million in the second quarter of 2006. Segment earnings for the quarter decreased \$1.6 million to \$9.8 million compared to the second quarter of 2006. For the six months ended June 30, 2007, revenue decreased 3%, or \$8.7 million, while segment earnings declined \$0.3 million to \$21.0 million. The following factors contributed to the Mobile Equipment segment's second quarter results:

- Equipment revenues declined \$1.2 million compared to last year and included the following quarter-over-quarter variances:
 - ⇒ Mining equipment revenues increased \$6.1 million due mainly to the higher dollar value of deliveries in western Canada compared to last year.
 - ⇒ Crane and utility equipment revenues increased \$1.4 million as a result of an order of off-highway tracked vehicles in Ontario.
 - ⇒ Forestry and construction equipment revenues decreased \$6.5 million. New Hitachi excavator sales decreased in western Canada due to increased competitive pricing, particularly in large excavators, forestry equipment sales were down across all regions due to weaker demand, while 2006 included the sale of two Hitachi trucks not repeated in 2007. Partially offsetting these revenue declines was an increase in new JCB equipment sales, largely as a result of a multi-unit sale in Ontario.
 - ⇒ Material handling equipment revenues decreased \$2.2 million as a decline in Ontario product demand more than offset higher volumes in western Canada.
- Parts and service volumes increased \$0.7 million compared to last year. Parts and service revenues increased in western Canada due to stronger demand in the construction and material handling sectors. These increases were offset by lower revenues in eastern Canada and Ontario due to weaker demand in a number of sectors, including forestry and mining, and competitive pricing pressures in material handling.
- Earnings decreased \$1.6 million as a result of lower volumes, lower margins and higher selling and administrative expenses compared to last year.
 - ⇒ Margins decreased as a \$2.4 million write-down of forestry equipment inventory, due to the insolvency of Direct, more than offset an increase in parts and services margins. The remaining Direct inventory will be sold in the normal course of business. Management does not expect future earnings to be negatively impacted as a result of the insolvency of Direct.

- ⇒ Selling and administrative expenses increased \$0.7 million as increased expense recoveries were negated by higher personnel and occupancy costs in western Canada.
- ⇒ Excluding the \$2.4 million write-down of forestry equipment inventory, earnings increased \$0.8 million in 2007 compared to 2006.

Industrial Components – Kinecor

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Gross revenue	\$80.5	\$83.5	\$160.6	\$160.9
Segment earnings	\$5.2	\$6.0	\$10.4	\$10.7
Segment earnings margin	6.5%	7.2%	6.5%	6.6%

Revenue at Kinecor of \$80.5 million decreased 4% in the second quarter of 2007, or \$3.0 million, to \$80.5 million from \$83.5 million in 2006 as a decline in western Canada revenues more than offset improved revenues in Ontario and eastern Canada. Segment earnings decreased \$0.8 million to \$5.2 million compared to \$6.0 million the previous year. For the six months ended June 30, 2007, revenue remained relatively flat, declining \$0.3 million, while segment earnings decreased \$0.3 million to \$10.4 million compared to the same period last year. The following factors contributed to the segment's second quarter results:

- Bearings and power transmission parts sales decreased \$0.2 million, compared to last year largely due to decreased revenue in the oil and gas sector in western Canada, from reduced drilling and capital investment activity, and lower forestry sales in Ontario and eastern Canada. Offsetting these revenue declines were increased sales to mining customers in eastern and western Canada and manufacturing based customers in western Canada and Ontario.
- Fluid power parts and service revenue decreased 9%, or \$2.8 million, as decreased activity in the oil and gas sectors from reduced drilling and capital investment activity in western Canada more than offset improved industrial market sales across all regions and growth in sales of imported hydraulic products.
- Segment earnings decreased \$0.8 million to \$5.2 million as a result of the lower volumes. Gross margins increased slightly and selling and administrative expenses remained unchanged compared to last year.

Power Systems

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Equipment	\$37.8	\$31.2	\$74.2	\$64.1
Parts and service	\$33.7	\$31.7	\$68.7	\$65.5
Gross revenue	\$71.5	\$62.9	\$142.9	\$129.6
Segment earnings	\$5.2	\$5.5	\$12.0	\$12.3
Segment earnings margin	7.3%	8.7%	8.4%	9.5%

Revenue in the second quarter increased 14%, or \$8.6 million, to \$71.5 million compared to \$62.9 million in 2006, while segment earnings declined \$0.3 million to \$5.2 million in the quarter compared to the previous year. For the six months ended June 30, 2007, revenue increased \$13.3 million, or 10%, to \$142.9 million, while earnings decreased marginally, declining \$0.3 million to \$12.0 million compared to \$12.3 million in 2006. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems (“Waterous”) in western Canada was down \$8.0 million, or 17%, compared to last year as equipment sales decreased \$9.6 million whereas parts and service revenues increased \$1.6 million. Equipment revenues declined mainly as a result of a slowdown in sales to OEM customers in the oil and gas sector as a result of a decline in drilling activity. The \$1.6 million increase in parts and service revenue was a result of an increase in the number of large engine overhauls in the oil and gas and on-highway transportation sectors, labour rate increases due to inflation and capacity provided through additional service mechanics and extended operating hours.
- Revenue at the eastern Canada operation, Detroit Diesel-Allison Canada East (“DD-ACE”) almost doubled, increasing \$16.6 million compared to 2006. Equipment sales increased \$16.2 million, largely from the sale of \$15.0 million of GE Energy natural gas and bio-gas engine packages. Parts and service revenues increased \$0.4 million due mainly to higher retail parts sales compared to last year.
- Segment earnings decreased \$0.3 million as the positive impact of higher overall volumes were more than offset by lower margins and a \$1.4 million increase in selling and administrative expenses. Selling and administrative expenses increased primarily as a result of increased sales activity in DD-ACE and higher personnel and occupancy costs in Waterous. Margins declined mainly as a result of a higher proportion of lower margin equipment sales compared to last year.

On August 8, 2007 the Fund came to an agreement to sell property from its Power Systems segment. The property, located in Edmonton, which was previously held for development, has a carrying value of \$3.1 million and is expected to be sold in September 2007 for proceeds of approximately \$5.5 million resulting in a gain of approximately \$2.4 million. Productivity gains combined with expansion of other facilities will allow Waterous to continue to operate out of its current Edmonton location.

Selected Quarterly Information

	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (1)	\$319.1	\$302.3	\$294.5	\$294.7	\$314.1	\$303.2	\$276.8	\$258.0
Net earnings from continuing operations	\$15.0	\$18.7	\$18.1	\$18.0	\$18.5	\$16.9	\$15.8	\$12.7
Net earnings from continuing operations per unit								
- Basic	\$0.91	\$1.13	\$1.09	\$1.09	\$1.11	\$1.02	\$0.95	\$0.77
- Diluted	\$0.90	\$1.12	\$1.08	\$1.08	\$1.11	\$1.02	\$0.94	\$0.76
Net earnings	\$15.0	\$18.7	\$19.4	\$18.0	\$18.5	\$16.9	\$15.8	\$9.4
Earnings per unit								
- Basic	\$0.91	\$1.13	\$1.17	\$1.09	\$1.11	\$1.02	\$0.95	\$0.56
- Diluted	\$0.90	\$1.12	\$1.16	\$1.08	\$1.11	\$1.02	\$0.94	\$0.56
Distributable cash (2)	\$15.9	\$19.4	\$18.6	\$19.4	\$17.5	\$18.5	\$15.5	\$14.2
Distributable cash per unit (2)								
- Basic	\$0.96	\$1.17	\$1.12	\$1.17	\$1.05	\$1.11	\$0.94	\$0.85

(1) On September 30, 2005, the assets of Spencer Industries Inc. ("Spencer"), the U.S. based operation of Industrial Components, were sold. As a result, the revenues and the results of Spencer have been reported as discontinued operations.

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

Historically the first quarter results reflect some seasonality and are typically the weakest due to decreased activity in many of the sectors serviced by the Fund. However, this trend has not been as evident over the last two-plus years due to the recent strength of the Canadian economy.

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 \$25.9 million of cash from operations before financing activities in the second quarter of 2007 compared to \$2.8 million in the second quarter of 2006. The \$23.1 million increase in cash flows from operations before financing activities was due to a reduction in non-cash working capital and lower investing activities compared to the same period last year.

Cash generated by operating activities amounted to \$30.0 million in the second quarter of 2007, with \$20.0 million of cash generated from operating earnings and \$10.0 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 \$9.5 million largely attributable to payables for equipment sold during the quarter in the Mobile Equipment segment.
- Inventory decreased \$4.2 million, reflecting lower inventory levels in all business segments, inclusive of the \$2.4 million write-down of Direct forestry equipment in the Mobile Equipment segment.

- Accounts receivable increased \$4.7 million as a result of higher sales in the Mobile Equipment segment compared to the last quarter.
- Prepaid expenses decreased \$0.9 million as a result of a decrease in the amount of deposits with suppliers.

During the quarter the Fund invested a net amount of \$4.1 million of the cash provided from operating activities. The investing activities included \$2.9 million of lift truck rental fleet additions, net of disposals, \$0.9 million of other various capital asset additions, net of disposals, and a \$0.3 million post closing adjustment related to the Baytec acquisition.

Funded net debt of \$86.6 million decreased \$10.1 million compared to March 31, 2007 as second quarter cash flows from continuing operating activities of \$30.0 million and discontinued operations of \$0.1 million were only partially offset by \$15.9 million of cash distributions and \$4.1 million of capital spending. Compared to June 30, 2006 funded net debt increased \$25.8 million. The Fund's quarter-end debt-to-equity ratio of 0.43:1 at June 30, 2007 decreased from last quarter's ratio of 0.49:1 and increased from last year's ratio of 0.29:1.

At June 30, 2007 the Fund had borrowed \$83.0 million and issued \$0.4 million of letters of credit for a total utilization of \$83.4 million of its \$175 million bank credit facility and had utilized \$1.2 million of its \$15 million equipment financing facility.

On April 5, 2007, the Fund amended its bank credit facility. The revolving term portion of the facility was increased \$45 million to \$145 million. The \$175 million fully secured bank credit facility is now made up of a \$30 million non-revolving term portion and a \$145 million revolving term portion. In addition, the maturity date was extended from June 8, 2008 to December 31, 2011 and the \$0.5 million cost to amend the facility will be amortized over the expected life of the facility. The amended facility contains customary restrictive covenants including restrictions on the payment of cash distributions and the maintenance of certain financial ratios. For further detail, see the Financing Strategies section.

The Fund's amended \$175 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 instrument transactions and those 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 June 6, 2008.
- On May 9, 2007 the Fund entered into a delayed start interest rate swap with two of its lenders such that in total the interest rate on the \$30 million non-revolving term portion of

the bank credit facility is effectively fixed at 4.60% plus applicable margins. The delayed interest rate swap commences on June 6, 2008 until expiry of the facility on December 31, 2011.

- 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 June 30, 2007, the Fund had contracts outstanding to buy US\$7.0 million and €1.3 million (June 30, 2006 – to buy US\$8.1 million and €0.8 million).

Contractual Obligations

There have been no material changes to contractual obligations since December 31, 2006.

Off-Balance Sheet Arrangements

The Mobile Equipment segment had \$60.9 million of consigned inventory on-hand from a major manufacturer as at June 30, 2007 compared to \$66.8 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 June 30, 2007, the non-discounted operating lease commitment for the rental fleet was \$15.8 million (June 30, 2006 - \$15.2 million).

Non-GAAP Measures

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

"Distributable cash" and "Distributable cash per unit" are not recognized measures under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. Accordingly, "Distributable cash" and "Distributable cash per unit" as presented may not be comparable to similar measures presented by other entities. The Fund believes that "Distributable cash" and "Distributable cash per unit" are useful financial metrics in the determination of cash flows 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. See the Distributable Cash section 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 section for the method of calculating "Maintenance capital expenditures".

"Standardized distributable cash" and "Standardized distributable cash per unit" are not recognized measures under GAAP. However, "Standardized distributable cash" has been calculated in accordance with the recommendations provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. See the Standardized Distributable Cash and Reconciliation to Distributable Cash section for the method of calculating the Fund's "Standardized distributable cash".

Distributions

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

Distributions are based on distributable cash (see Non-GAAP Measures and Distributable Cash sections) 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 Non-GAAP Measures section) and any amount that the Trustees may reasonably consider to be necessary to provide for the payment of costs or other obligations that have been or are reasonably expected to be incurred by the Fund. See Distributable Cash section below.

Cash distributions to unitholders were declared as follows:

Record Date	Payment Date	Per Unit	Amount
April 30, 2007	May 22, 2007	\$0.32	\$5.3
May 31, 2007	June 20, 2007	0.32	5.3
June 29, 2007	July 20, 2007	0.32	5.3
Three months ended June 30, 2007		\$0.96	\$15.9
January 1, 2007 to March 31, 2007		0.96	15.9
Six months ended June 30, 2007		\$1.92	\$31.8

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. Unitholder tax information relating to 2007 distributions is available on the Fund's website at www.wajax.com.

The Fund announced an increase in the monthly distribution for August to \$0.33 per unit (\$3.96 per unit annualized), payable on September 20, 2007, to unitholders of record on August 31, 2007.

In 2006, 100% of unitholder distributions were taxable. For 2007, management expects the tax status of unitholder distributions to remain comparable with those reported in 2006.

Distributable Cash⁽¹⁾

The Fund believes that distributable cash is a useful metric in determining distributions to unitholders. The following is a reconciliation of cash flows realized from operating activities from continuing operations (a GAAP measure) to distributable cash (a non-GAAP measure).

	For the quarter ended		For the six months ended		Last 12 months
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Cash flows from operating activities from continuing operations	\$30.0	\$12.4	\$38.3	\$27.7	\$66.8
Changes in non-cash working capital ⁽²⁾	(10.0)	9.7	4.4	15.0	18.3
Cash flows from continuing operations before changes in non-cash working capital	20.0	22.1	42.7	42.7	85.1
Entity specific adjustments ⁽³⁾ :					
Maintenance capital expenditures ⁽¹⁾	(3.5)	(4.4)	(5.7)	(6.4)	(9.8)
Accrual for mid-term incentives	(0.5)	-	(1.5)	-	(1.5)
Amortization of deferred financing charges	(0.1)	(0.2)	(0.3)	(0.3)	(0.6)
Distributable Cash⁽¹⁾ - \$	15.9	17.5	35.2	36.0	73.2
- per share basic	\$0.96	\$1.05	\$2.12	\$2.17	\$4.42
- per share fully diluted	\$0.95	\$1.05	\$2.11	\$2.16	\$4.39
Distributions Declared - \$	15.9	13.1	31.8	24.9	80.4
Distributions Declared - per unit					
- Monthly cash	\$0.96	\$0.79	\$1.92	\$1.50	\$3.73
- Special cash	-	-	-	-	\$1.12
- Total	\$0.96	\$0.79	\$1.92	\$1.50	\$4.85
Payout Ratio based on distributable cash	100.4%	74.8%	90.4%	69.1%	109.8%

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

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

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

- Maintenance capital expenditures represent cash expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.
- Accruals for Mid-Term Incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.

- c. Amortization of Deferred Financing Charges is a deduction in calculating distributable cash based on the amount included in the financing activities section of the statement of cash flow (in the year of the financing transaction) allocated over the term of the financing. The Fund believes this treatment provides a better indication of annual financing costs.

For the quarter ended June 30, 2007 distributable cash was \$15.9 million, or \$0.96 per unit, compared to \$17.5 million, or \$1.05 per unit, the previous year. The \$1.6 million reduction in distributable cash is due primarily to lower earnings compared to last year. Distributions declared for the quarter ended June 30, 2007 were \$0.96 per unit (2006 - \$0.79 per unit). Distributable cash was equal to cash distributions declared for the quarter ended June 30, 2007.

For the six months ended June 30, 2007 distributable cash was \$35.2 million, or \$2.12 per unit, compared to \$36.0 million, or \$2.17 per unit, the previous year. The \$0.8 million reduction in distributable cash is due primarily to lower earnings compared to last year. For the same period, distributions declared were \$1.92 per unit (2006 - \$1.50 per unit). Distributable cash in excess of cash distributions declared for the six months ended June 30, 2007 of \$3.4 million, or \$0.20 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the twelve months ended June 30, 2007, distributable cash was \$73.2 million, or \$4.42 per unit. For the same period, distributions declared were \$4.85 per unit and included monthly cash distributions totaling \$3.73 per unit and a special cash distribution of \$1.12 per unit declared in December 2006. Special cash distributions are declared to ensure, as provided by the Fund's Declaration of Trust, the Fund's total distributions for any fiscal year is equal to its taxable income for such year.

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

(\$millions)	For the quarter ended June 30, 2007	For the six months ended June 30, 2007	For the year ended December 31, 2006	For the period ended December 31, 2005 (1)
A. Cash flows from operating activities(2)	\$30.0	\$38.3	\$56.2	na
B. Net Income (2)	15.0	33.8	71.5	na
C. Distributable Cash (3)	15.9	35.2	74.0	33.5
D. Cash Distributions Declared	15.9	31.8	73.5	31.4
E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)	14.1	6.5	(17.3)	na
F. Excess (shortfall) of net income over cash distributions declared (B – D)	(0.9)	1.6	(2.0)	na
G. Excess (shortfall) of distributable cash over cash distributions declared (C – D)	-	3.4	0.5	2.1

(1) Based on pro-rated results for the month of June 2005, subsequent to conversion, plus results for the six months ended December 31, 2005.

(2) Based on continuing operations.

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

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

For the quarter ended June 30, 2007, the \$14.1 million excess of cash flows from operating activities over cash distributions declared is due primarily to reductions in non-cash working capital of \$10.0 million and capital expenditures, net of disposals, of \$3.8 million.

For the six months ended June 30, 2007, the \$6.5 million excess of cash flows from operating activities over cash distributions declared is due primarily to capital expenditures, net of disposals, of \$6.5 million less an increase in non-cash working capital of \$4.4 million plus a \$3.4 million reserve. The \$3.4 million provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the year ended December 31, 2006 the \$17.3 million excess of cash distributions declared over cash flows from operating activities was due to a \$28.9 million increase non-cash working capital less capital expenditures, net of disposals, of \$10.4 million. The shortfall was funded through the Fund's bank credit facilities.

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

The following is a calculation of standardized distributable cash calculated in accordance with the recommendations provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. In addition, the table provides a reconciliation of standardized distributable cash to distributable cash (see Distributable Cash section).

	For the quarter ended		For the six months ended		Last 12 months
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Cash flows from operating activities					
- Continuing	\$30.0	\$12.4	\$38.3	\$27.6	\$66.9
- Discontinued	0.1	(0.4)	-	(0.4)	0.3
A. Capital expenditure outlays ⁽³⁾ :	(4.1)	(9.3)	(7.1)	(12.4)	(13.4)
B. Restriction on distributions ⁽⁴⁾	-	-	-	-	-
Standardized Distributable					
Cash ⁽¹⁾⁽²⁾ - \$	26.0	2.7	31.2	14.8	53.8
- per share basic	\$1.57	\$0.16	\$1.88	\$0.89	\$3.24
- per share fully diluted	\$1.56	\$0.16	\$1.87	\$0.89	\$3.22
i. Capital adjustments made to reflect maintenance capital expenditures ⁽⁵⁾ :					
- Proceeds from disposals of capital expenditures	0.3	0.2	0.6	1.0	1.03
- Growth capital expenditures	-	3.7	-	3.8	1.1
- Rental fleet transferred to inventory	0.3	1.0	0.8	1.3	1.4
ii. Non-recurring adjustments ⁽⁶⁾ :					
- Cash flow (used in) from discontinued operations	(0.1)	0.4	-	0.4	(0.3)
iii. Other entity specific adjustments ⁽⁷⁾ :					
- Changes in non-cash working capital	(10.0)	9.7	4.4	15.0	18.3
- Accrual for mid-term incentives	(0.5)	-	(1.5)	-	(1.5)
- Amortization of deferred financing charges	(0.1)	(0.2)	(0.3)	(0.3)	(0.6)
Distributable Cash⁽²⁾ - \$	15.9	17.5	35.2	36.0	73.2
- per share basic	\$0.96	\$1.05	\$2.12	\$2.17	\$4.42
- per share fully diluted	\$0.95	\$1.05	\$2.11	\$2.16	\$4.39
Distributions Declared - \$	15.9	13.1	31.8	24.9	80.4
Distributions Declared - per unit					
- Monthly cash	\$0.96	\$0.79	\$1.92	\$1.50	\$3.73
- Special cash	-	-	-	-	\$1.12
- Total	\$0.96	\$0.79	\$1.92	\$1.50	\$4.85
Payout Ratio					
- based on standardized distributable cash	61.2%	350.0%	101.9%	156.5%	149.6%
- based on distributable cash	100.4%	74.8%	90.4%	69.1%	109.8%

- (1) Standardized distributable cash is a non-GAAP measure calculated in accordance with the recommendations provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.
- (2) Non-GAAP measure, see Non-GAAP Measures section.
- (3) Capital expenditure outlays include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.
- (4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.
- (5) Capital adjustments are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.
- (6) Non-recurring adjustments include the exclusion of cash flows (used in) from discontinued operations in calculating distributable cash as they are not a reflection of the Fund's expected future cash flows.
- (7) Other Entity Specific Adjustments made in calculating distributable cash include the following:
 - a. Changes in Non-cash Working Capital see Distributable Cash section.
 - b. Accruals for Mid-Term Incentives see Distributable Cash section.
 - c. Amortization of Deferred Financing Charges see Distributable Cash section.

For the quarter ended June 30, 2007 standardized distributable cash was \$26.0 million, or \$1.57 per unit, compared to \$2.7 million, or \$0.16 per unit, the previous year. The \$23.3 million increase was due primarily to the \$19.6 million decline in non-cash working capital usage and lower earnings compared to last year.

For the six months ended June 30, 2007, standardized distributable cash was \$31.2 million, or \$1.88 per unit, compared to \$14.8 million, or \$0.89 per unit, the previous year. The \$16.4 million increase was due mainly to the \$10.6 million decline in non-cash working capital usage and a \$4.3 million reduction in capital expenditures compared to last year.

Since the conversion of Wajax Limited to Wajax Income Fund on June 15, 2005, the payout ratio of distributions based on standardized distributable cash and distributable cash is 141.9% and 95.8%, respectively. The difference is due primarily to changes in non-cash working capital of \$39.3 million, capital adjustments and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

Productive Capacity and Productive Capacity Management

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

Wajax operates from 103 facilities throughout Canada, of which 73 are leased. Wajax's principal properties are primarily sales and service outlets. (At December 31, 2006, the non-discounted operating lease commitments for facilities totalled \$61.9 million.)

The Fund seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. The Fund endeavours to align itself in long-term relationships with manufacturers that are

committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, power systems, and hydraulics and process pumps businesses, manufacturer relationships are generally governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in the agreement.

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

In addition, the Fund enters into off balance sheet financing arrangements including operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment with Wajax Finance, vehicles and other equipment. (At December 31, 2006, the non-discounted operating lease commitments for rental fleet totaled \$14.2 million, vehicles \$11.2 million and other equipment \$1.9 million.)

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

For the seven year period from 2000 to 2006, average annual maintenance capital expenditures, net of proceeds from disposals, (including rental fleet but excluding discontinued operations and an ERP computer system abandoned in 2002), were \$9.5 million. The annual maintenance capital expenditures varied between \$3.4 million and \$12.0 million during the period. Management's expectation for future annual maintenance capital expenditures is between \$8 million and \$14 million.

Financing Strategies

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing facility should be sufficient to meet the Fund's short-term working capital, maintenance capital and growth capital requirements.

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

The Fund's short-term working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2006. Conversely, as Wajax experiences economic slow downs working capital reduces reflecting the lower activity levels. This can result in standardized distributable cash increasing in years of declining activity and decreasing in years of growth. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities. Therefore, for the reasons noted the Fund adjusts for changes in non-cash working capital in calculating distributable cash in periods where the Fund has capacity under its credit facility to fund the changes in non-cash working capital.

The bank credit facility contains covenants that could restrict the ability of the Fund to make cash distributions, if (i) an event of default exists or would exist as a result of a cash distribution, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate cash distributions by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Notwithstanding the restrictions relating to the leverage ratio, a special cash distribution in the first quarter of each fiscal year is permitted in an amount not to exceed the amount by which distributable cash for the preceding fiscal year exceeds declared cash distributions for the preceding fiscal year plus any excess cumulative distributable cash over cash distributions of prior years. In addition, borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. For further detail, the Fund's bank credit facility is available on SEDAR at www.sedar.com.

Unit Capital

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

Issued and fully paid Trust Units as at June 30, 2007	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 \$302 thousand for the quarter (2006 - \$181 thousand) and \$620 thousand for the year to date (2006 - \$358 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

The following is a summary of the relevant Canadian Institute of Chartered Accountants ("CICA") Handbook revisions that were adopted by the Fund on January 1, 2007. Prior periods will not be restated in accordance with the prospective application required by these standards.

Comprehensive Income

CICA Handbook Section 1530, Comprehensive Income, requires presenting comprehensive income and its components (defined as the change in equity during a period from transactions

and other events and circumstances from non-owner sources) in financial statements as well as in net income.

Equity

CICA Handbook Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the period. It provides standards for an enterprise to present separately each of the changes in equity during the period, including accumulated other comprehensive income, as well as components of equity at the end of the period. Accordingly, the Fund now reports a consolidated statement of comprehensive income and includes the account "accumulated other comprehensive income" in the unitholders' equity section of the consolidated balance sheets.

Financial Instruments

CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It provides standards for the classification of financial instruments, related interest, dividends, losses and gains, the circumstances in which financial assets and financial liabilities are offset, and disclosures about financial instruments and non-financial derivatives.

CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, replaces Handbook Section 3860, Financial Instruments – Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed.

Hedges

CICA Handbook Section 3865, Hedges, replaces and expands on Accounting Guideline AcG-13, "Hedging Relationships", and the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Fund designated its cash and cash equivalents as held-for-trading, which is measured at fair value, with subsequent changes in fair value being charged to earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, long-term debt, equipment notes payable, distributions payable and other liabilities are classified as other financial liabilities, which are measured at amortized cost.

All derivative instruments, including embedded derivatives, are recorded in the consolidated balance sheets at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income with any ineffectiveness charged to earnings. The Fund elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003. The change in accounting policy related to embedded derivatives had no impact on the consolidated financial statements.

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. The Fund also enters into interest-rate swap contracts with two of its lenders to effectively fix the interest rate until expiry of the facility. The effective portion of

changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of earnings in selling and administrative expenses.

Upon adoption of the new standards on January 1, 2007, the Fund measured its cash flow hedge derivative contracts at the fair value of \$626 which resulted in a derivative instrument asset of \$626 and a gain of \$626. \$14 of this gain was recorded in opening retained earnings for the ineffective portion of the contracts and the remaining effective portion, \$612 (\$553 - net of taxes) was recorded in accumulated other comprehensive income.

During the quarter ending June 30, 2007, \$45 (\$41 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods were transferred out of comprehensive income into net income, while the change in the fair value of the outstanding contracts at June 30, 2007 resulted in a net gain of \$104. The ineffective portion of the outstanding contracts was recognized as a \$53 loss in selling and administrative expenses and the remaining effective portion, a gain of \$157 (\$143 – net of tax) was reported in other comprehensive income. Accordingly, as at June 30, 2007 the cash flow hedge derivative contracts had a fair value of \$421 and are recorded as a derivative instrument asset on the consolidated balance sheets.

Accounting Changes

As at April 1, 2007, the Fund adopted Handbook Section 1506 “Accounting changes”. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impractical, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The new standard also requires that the Fund disclose new primary sources of GAAP that have been issued, but are not yet effective and have not been adopted by the Fund.

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

Financial Instruments – Disclosures (Handbook Section 3862) and Financial Instruments – Presentation (Handbook Section 3863)

As of January 1, 2008, the Fund will be required to adopt two new CICA standards, Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation,” which will replace Handbook Section 3861 “Financial Instruments – Disclosure and Presentation” The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for fiscal years beginning on or after October 1, 2007. The Fund is currently assessing the impact on its consolidated financial statements.

Capital Disclosures – (Handbook Section 1535)

As of January 1, 2008, the Fund will be required to adopt Handbook Section 1535 “Capital Disclosures”, which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new standard is effective for fiscal years beginning on or after October 1, 2007. The Fund is currently assessing the impact on its consolidated financial statements.

Inventories – (Handbook Section 3031)

As of January 1, 2008, the Fund will be required to adopt Handbook Section 3031 “Inventories”, which supersedes existing guidance on inventories in Handbook Section 3030, “Inventories”. The new standard introduces significant changes to the measurement and disclosure of inventory. The measurement changes include the elimination of the last in first out method, 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 write-downs 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, write-downs and the reversals of write-downs are required to be disclosed. The new standard is effective for fiscal years beginning on or after January 1, 2008. The Fund is currently assessing the impact on its consolidated financial statements.

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, 2007 to August 8, 2007 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.

Outlook

The second quarter segment earnings were negatively impacted by a supplier related forestry equipment inventory write-down, which should not negatively affect earnings going forward, and a future income tax adjustment. However, as expected, mining equipment deliveries were strong in Mobile Equipment and sales of GE natural and biogas engines boosted revenue in the Power Systems business. While the Fund experienced reduced drilling activity in western Canada, distributions were increased as it is believed the Fund will experience another good year in 2007.

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

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the six months ended June 30, 2007

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

(unaudited, in thousands of dollars)	June 30 2007	December 31 2006	June 30 2006
Current Assets			
Accounts receivable	\$ 148,756	\$ 145,583	\$ 136,605
Inventories	217,474	232,318	223,004
Future income taxes	3,048	3,571	3,611
Prepaid expenses and other recoverable amounts	8,794	7,451	5,269
Derivative instrument asset (note 2)	421	-	-
Discontinued operations	-	178	595
	378,493	389,101	369,084
Non-Current Assets			
Rental equipment	20,899	18,893	19,857
Property, plant and equipment	32,610	33,280	31,632
Goodwill and other assets	59,275	59,059	59,392
Future income taxes	-	473	1,760
	112,784	111,705	112,641
	\$ 491,277	\$ 500,806	\$ 481,725
Current Liabilities			
Bank indebtedness	\$ 3,677	\$ 5,668	\$ 483
Accounts payable and accrued liabilities	190,985	206,096	200,276
Distributions payable to unit holders	5,307	23,883	4,478
Income taxes payable	1,855	2,710	2,683
Equipment notes payable	1,218	2,734	1,648
Discontinued operations	453	600	2,032
	203,495	241,691	211,600
Non-Current Liabilities			
Future income taxes	1,350	-	400
Other liabilities	1,634	120	120
Long-term pension liability	2,918	2,777	2,976
Long-term debt (note 5)	81,738	59,023	58,700
	87,640	61,920	62,196
Unitholders' Equity			
Trust units (note 1)	104,871	104,871	104,871
Contributed surplus	2,185	1,565	1,069
Accumulated earnings	92,680	90,759	101,989
Accumulated other comprehensive income (note 2,3)	406	-	-
	93,086	90,759	101,989
Total Unitholders' Equity	200,142	197,195	207,929
	\$ 491,277	\$ 500,806	\$ 481,725

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(unaudited, in thousands of dollars, except per unit data)	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenue	\$ 319,105	\$ 314,082	\$ 621,418	\$ 617,330
Cost of sales	251,826	246,318	484,647	483,160
Gross profit	67,279	67,764	136,771	134,170
Selling and administrative expenses	49,300	47,196	98,412	94,779
Earnings before interest and income taxes	17,979	20,568	38,359	39,391
Interest expense	1,321	1,071	2,667	1,913
Earnings before income taxes	16,658	19,497	35,692	37,478
Income tax expense - current	-	212	-	445
- future (note 4)	1,621	823	1,942	1,646
Net earnings	\$ 15,037	\$ 18,462	\$ 33,750	\$ 35,387
Accumulated earnings, beginning of period	93,564	96,629	90,759	91,479
Transitional adjustment (note 2)	-	-	14	-
Distributions	(15,921)	(13,102)	(31,843)	(24,877)
Accumulated earnings, end of period	\$ 92,680	\$ 101,989	\$ 92,680	\$ 101,989
Earnings per unit (note 6)				
- basic	\$ 0.91	\$ 1.11	\$ 2.03	\$ 2.13
- diluted	0.90	1.11	2.02	2.12
Number of trust units outstanding	16,585,206	16,585,206	16,585,206	16,585,206
Number of Trustees' Deferred Unit Plan and Wajax Unit Ownership Plan rights outstanding	121,925	94,865	121,925	94,865

**WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

(unaudited, in thousands of dollars)	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Net earnings	\$ 15,037	\$ 18,462	\$ 33,750	\$ 35,387
Gains on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax (note 3)	(41)	-	(171)	-
Gains on derivative instruments designated as cash flow hedges, net of tax (note 3)	143	-	24	-
Comprehensive income	\$ 15,139	\$ 18,462	\$ 33,603	\$ 35,387

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Three months ended June 30	
	2007	2006
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 15,037	\$ 18,462
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,127	1,073
- Property, plant and equipment	1,108	1,099
- Deferred expenses and intangible assets	141	234
Employees' pension plans, net of contributions made	45	180
Long term portion of mid-term incentive plan expense	547	-
Non-cash rental expense	12	31
Unit compensation expense (note 7)	302	181
Future income taxes	1,621	823
Other	53	-
Cash flows from continuing operations before changes in non-cash working capital	19,993	22,083
Changes in non-cash working capital		
Accounts receivable	(4,689)	2,025
Inventories	4,229	(5,460)
Prepaid expenses	922	(1,911)
Accounts payable and accrued liabilities	9,495	(4,392)
Income taxes payable	46	87
	10,003	(9,651)
Cash flows from operating activities from continuing operations	29,996	12,432
INVESTING ACTIVITIES		
Rental equipment additions	(3,132)	(4,664)
Proceeds on disposal of rental equipment	256	151
Property, plant and equipment additions	(957)	(3,617)
Proceeds on disposal of property, plant and equipment	43	82
Acquisition of businesses (note 9)	(322)	(1,600)
	(4,112)	(9,648)
Cash flows from continuing operations before financing activities	25,884	2,784
FINANCING ACTIVITIES		
(Decrease) Increase in long-term bank debt	(11,535)	10,000
Decrease in equipment notes payable	(3,454)	(2,740)
Distributions paid (note 12)	(15,921)	(12,770)
	(30,910)	(5,510)
Net change in cash and cash equivalents before discontinued operations	\$ (5,026)	\$ (2,726)
Cash and cash equivalents from (used in) discontinued operations	102	(408)
Cash and cash equivalents – beginning of period	1,247	2,651
Bank indebtedness – end of period	\$ (3,677)	\$ (483)

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

Interest paid	\$ 1,255	\$ 942
Income tax (refund) paid	\$ (14)	\$ 125
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 279	\$ 974

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Six months ended June 30	
	2007	2006
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 33,750	\$ 35,387
Items not affecting cash flows:		
Amortization		
- Rental equipment	2,150	2,037
- Property, plant and equipment	2,224	2,372
- Deferred expenses and intangible assets	393	452
Employees' pension plans, net of contributions made	26	364
Long term portion of mid-term incentive plan expense	1,514	-
Non-cash rental expense	43	61
Unit compensation expense (note 7)	620	358
Future income taxes	1,942	1,646
Other	42	-
Cash flows from continuing operations before changes in non-cash working capital	42,704	42,677
Changes in non-cash working capital		
Accounts receivable	(3,173)	(4,184)
Inventories	15,664	(27,107)
Prepaid expenses	(1,343)	(1,413)
Accounts payable and accrued liabilities	(15,076)	18,179
Income taxes payable	(494)	(515)
	(4,422)	(15,040)
Cash flows from operating activities from continuing operations	38,282	27,637
INVESTING ACTIVITIES		
Rental equipment additions	(5,470)	(6,822)
Proceeds on disposal of rental equipment	494	873
Property, plant and equipment additions	(1,607)	(4,551)
Proceeds on disposal of property, plant and equipment	53	154
Acquisition of businesses (note 9)	(322)	(8,192)
	(6,852)	(18,538)
Cash flows from continuing operations before financing activities	31,430	9,099
FINANCING ACTIVITIES		
Increase in long-term bank debt	22,465	25,000
Increase in other liabilities	-	120
Repayment of debt upon acquisition of business	-	(446)
Decrease in equipment notes payable	(1,516)	(4,071)
Distributions paid (note 12)	(50,419)	(34,660)
	(29,470)	(14,057)
Net change in cash and cash equivalents before discontinued operations	\$ 1,960	\$ (4,958)
Cash and cash equivalents from (used in) discontinued operations	31	(365)
(Bank indebtedness) cash and cash equivalents – beginning of period	(5,668)	4,840
Bank Indebtedness – end of period	\$ (3,677)	\$ (483)

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

Interest paid	\$ 2,452	\$ 1,585
Income taxes paid	\$ 503	\$ 928

Significant non-cash transactions:

Rental equipment transferred to inventory	\$ 820	\$ 1,305
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WAJAX INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of dollars, except unit and per unit data or where otherwise noted)
(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.

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, except as described in note 2.

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

Note 2 Changes in accounting policy

Financial Instruments

On January 1, 2007, the Fund adopted CICA Handbook Section 1530, “Comprehensive Income”, Section 3251 “Equity”, Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, “Financial Instruments – Disclosure and Presentation” and Section 3865, “Hedges”.

Handbook Section 1530, Comprehensive Income, requires presenting comprehensive income and its components (defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources) in financial statements as well as in net income.

Handbook Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the period. It provides standards for an enterprise to present separately each of the changes in equity during the period, including accumulated other comprehensive income, as well as components of equity at the end of the period. Accordingly, the Fund now reports a consolidated statement of comprehensive income and includes the account “accumulated other comprehensive income” in the unitholders’ equity section of the consolidated balance sheets.

Handbook Section 3855, Financial Instruments – Recognition and Measurement, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It provides standards for the classification of financial instruments,

related interest, dividends, losses and gains, the circumstances in which financial assets and financial liabilities are offset, and disclosures about financial instruments and non-financial derivatives.

Handbook Section 3861, Financial Instruments – Disclosure and Presentation, replaces Handbook Section 3860, Financial Instruments – Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed.

Handbook Section 3865, Hedges, replaces and expands on Accounting Guideline AcG-13, “Hedging Relationships”, and the hedging guidance in Section 1650, “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Fund designated its cash and cash equivalents as held-for-trading, which is measured at fair value, with subsequent changes in fair value being charged to earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, long-term debt, equipment notes payable, distributions payable and other liabilities are classified as other financial liabilities, which are measured at amortized cost.

All derivative instruments, including embedded derivatives, are recorded in the consolidated balance sheets at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income with any ineffectiveness charged to earnings. The Fund elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003. The change in accounting policy related to embedded derivatives had no impact on the consolidated financial statements.

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. The Fund also enters into interest-rate swap contracts with two of its lenders to effectively fix the interest rate until expiry of the facility. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of earnings in selling and administrative expenses.

Upon adoption of the new standards on January 1, 2007, the Fund measured its cash flow hedge derivative contracts at the fair value of \$626 which resulted in a derivative instrument asset of \$626 and a gain of \$626. \$14 of this gain was recorded in opening retained earnings for the ineffective portion of the contracts and the remaining effective portion, \$612 (\$553 - net of taxes) was recorded in accumulated other comprehensive income.

During the quarter ending June 30, 2007, \$45 (\$41 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods were transferred out of comprehensive income into net income, while the change in the fair value of the outstanding contracts at June 30, 2007 resulted in a net gain of \$104. The ineffective portion of the outstanding contracts was recognized as a \$53 loss in selling and administrative expenses

and the remaining effective portion, a gain of \$157 (\$143 – net of tax) was reported in other comprehensive income. Accordingly, as at June 30, 2007 the cash flow hedge derivative contracts had a fair value of \$421 and are recorded as a derivative instrument asset on the consolidated balance sheets.

Year to date, \$189 (\$171 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods were transferred out of comprehensive income into net income, while the change in the fair value of the outstanding contracts at June 30, 2007 resulted in a net loss of \$16. The ineffective portion of the outstanding contracts was recognized as a \$42 loss in selling and administrative expenses and the remaining effective portion, a gain of \$26 (\$24 – net of tax) was reported in other comprehensive income.

Accounting changes

As at April 1, 2007, the Fund adopted Handbook Section 1506 “Accounting changes”. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impractical, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The new standard also requires that the Fund disclose new primary sources of GAAP that have been issued, but are not yet effective and have not been adopted by the Fund.

The Fund is currently assessing the impact of the following new standards on its consolidated financial statements:

(i) Financial Instruments – Disclosures (Handbook Section 3862) and Financial Instruments – Presentation (Handbook Section 3863)

As of January 1, 2008, the Fund will be required to adopt two new CICA standards, Handbook Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation,” which will replace Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for fiscal years beginning on or after October 1, 2007.

(ii) Capital Disclosures – (Handbook Section 1535)

As of January 1, 2008, the Fund will be required to adopt Handbook Section 1535 “Capital Disclosures”, which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new standard is effective for fiscal years beginning on or after October 1, 2007.

(iii) Inventories – (Handbook Section 3031)

As of January 1, 2008, the Fund will be required to adopt Handbook Section 3031 “Inventories”, which supersedes existing guidance on inventories in Handbook Section 3030, “Inventories”. The new standard introduces significant changes to the measurement and disclosure of inventory. The measurement changes include the elimination of the last in first out method, 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 write-downs 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, write-downs and the reversals of write-downs are required to be disclosed. The new standard is effective for fiscal years beginning on or after January 1, 2008.

Note 3 Accumulated other comprehensive income

Three months ended June 30	2007		2006	
Balance beginning of period	\$	304	\$	-
Gains on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax of 2007 - \$4; 2006 - Nil		(41)		-
Gains on derivatives designated as cash flow hedges, net of tax of 2007 - \$14; 2006 - Nil		143		-
Accumulated other comprehensive income	\$	406	\$	-

Six months ended June 30	2007		2006	
Balance beginning of period	\$	-	\$	-
Transitional amount for new accounting guidelines January 1, 2007 (note 2), net of tax of 2007 - \$59; 2006 - Nil		553		-
Gains on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax of 2007 - \$18; 2006 - Nil		(171)		-
Gains on derivatives designated as cash flow hedges, net of tax of 2007 - \$2; 2006 - Nil		24		-
Accumulated other comprehensive income	\$	406	\$	-

Note 4 Income taxes

The Fund is a “mutual fund trust” as defined under the Income Tax Act (Canada) and is not taxable on its income to the extent that it is distributed to its unitholders.

On June 12, 2007, Bill C-52 Budget Implementation Act, 2007 was substantively enacted by the Canadian federal government, which contains legislation to tax certain publicly traded trusts in Canada. As a result, a new 31.5 per cent tax will be applied to certain distributions from Canadian public income trusts. The new tax is not expected to apply to the Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. As a result of this substantive enactment of trust taxation, the Fund recorded an additional \$1.5 million future income tax expense and increased its future income tax liability in the second quarter of 2007. The future income tax adjustment represents the taxable temporary differences of the Fund (that will reverse after 2010) tax-effected at 31.5 per cent, which is the rate that will be applicable in 2011 under the current legislation and the Fund’s current structure.

Note 5 Long-Term Debt

On April 5, 2007, the Fund amended its bank credit facility. The revolving term portion of the facility was increased \$45 million to \$145 million. The \$175 million fully secured bank credit facility is now made up of a \$30 million non-revolving term portion and a \$145 million revolving term portion. In addition, the maturity date was extended from June 8, 2008 to December 31, 2011 and the \$0.5 million cost to amend the facility will be amortized over the expected life of the facility. The amended facility contains customary restrictive covenants including restrictions on the payment of cash distributions and the maintenance of certain financial ratios.

Note 6 Earnings per unit

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

Three months ended June 30	2007		2006	
Numerator for basic and diluted earnings per unit:				
– net earnings	\$	15,037	\$	18,462
Denominator for basic earnings per unit :				
– weighted average units		16,585,206		16,585,206
Denominator for diluted earnings per unit:				
– weighted average units		16,585,206		16,585,206
– effect of dilutive unit rights		117,772		92,718
Denominator for diluted earnings per unit		16,702,978		16,677,924
Basic earnings per unit	\$	0.91	\$	1.11
Diluted earnings per unit	\$	0.90	\$	1.11

Six months ended June 30	2007	2006
Numerator for basic and diluted earnings per unit:		
– net earnings	\$ 33,750	\$ 35,387
<hr/>		
Denominator for basic earnings per unit :		
– weighted average units	16,585,206	16,584,314
<hr/>		
Denominator for diluted earnings per unit:		
– weighted average units	16,585,206	16,584,314
– effect of dilutive unit rights	113,643	92,040
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Denominator for diluted earnings per unit	16,698,849	16,676,354
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Basic earnings per unit	\$ 2.03	\$ 2.13
<hr/>		
Diluted earnings per unit	\$ 2.02	\$ 2.12
<hr/>		

At the end of the quarter 78,305 rights were outstanding under the Wajax Unit Ownership Plan (2006 – 66,867) and 43,620 rights were outstanding under the Trustees’ Deferred Unit Plan (2006 – 27,998). No options or unit rights were excluded from the above calculations as none were anti-dilutive.

Note 7 Unit-based compensation plans

The Fund has three unit-based compensation plans: the Wajax Unit Ownership Plan (“UOP”), the Trustees’ Deferred Unit Plan (“TDUP”) and the Mid-Term Incentive Plan (“MTIP”). UOP and the TDUP rights are issued 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, a portion of which is determined by the price of Fund units. Compensation expense for the UOP and the TDUP is determined based upon the fair value of the rights at the 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 3,697 rights (2006 – 1,229) were granted under the UOP and 3,568 rights (2006 – 1,691) were granted under the TDUP.

Year to date, 8,088 rights (2006 – 3,827) were granted under the UOP and 8,634 rights (2006 – 3,735) were granted under the TDUP. Also in 2006, 2,676 rights were exercised under the TDUP which were settled by issuing Wajax Income Fund units.

The Fund recorded compensation cost of \$302 for the quarter (2006 – \$181) and \$620 for the year to date (2006 - \$358) in respect of unit rights plans and \$293 for the quarter (2006 – \$75) and \$477 for the year to date (2006 - \$100) in respect of the unit based MTIP.

Note 8 Financial instruments

The Fund entered into interest-rate swap contracts with two of its lenders in June 2005, such that in total the interest rate on \$30 million of its non-revolving term facility portion of the bank credit facility is effectively fixed at 3.47% plus applicable margins until June 6, 2008.

On May 9, 2007, the Fund entered into a delayed start interest rate swap with two of its lenders such that in total the interest rate on the \$30 million non-revolving term portion of the bank credit facility is effectively fixed at 4.60% plus applicable margins. The delayed interest rate swap commences on June 6, 2008 until expiry of the facility on December 31, 2011.

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 June 30, 2007, the Fund had contracts outstanding to buy US\$7.0 dollars and €1.3 million (June 30, 2006 – to buy US\$8.1 million and €0.8 million).

Note 9 Acquisition of businesses

On March 22, 2006, the Fund's Industrial Components segment acquired all the shares of Baytec Fluid Power Limited ("Baytec") for approximately \$1.7 million, which was 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 could be increased by up to \$0.6 million with the additional amount being charged to goodwill. In April 2007, the first conditional payment of \$0.3 million was made to the vendors.

Note 10 Employees' pension plans

Net pension plan expenses are as follows:

For the three months ended June 30	2007	2006
Net pension plan expense – defined benefit plans	\$ 151	\$ 273
Net pension plan expense – defined contribution plans	1,102	982
	\$ 1,253	\$ 1,255

For the six months ended June 30	2007	2006
Net pension plan expense – defined benefit plans	\$ 333	\$ 542
Net pension plan expense – defined contribution plans	2,461	2,183
	\$ 2,794	\$ 2,725

Note 11 Segmented information

For the three months ended June 30	2007		2006	
Revenue				
Mobile Equipment	\$	167,899	\$	168,409
Industrial Components		80,484		83,502
Power Systems		71,475		62,932
Segment eliminations		(753)		(761)
Revenue	\$	319,105	\$	314,082
Segment Earnings				
Mobile Equipment	\$	9,812	\$	11,361
Industrial Components		5,244		5,995
Power Systems		5,238		5,542
Corporate costs and eliminations		(2,315)		(2,330)
Earnings	\$	17,979	\$	20,568

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

For the six months ended June 30	2007		2006	
Revenue				
Mobile Equipment	\$	319,471	\$	328,246
Industrial Components		160,553		160,884
Power Systems		142,877		129,557
Segment eliminations		(1,483)		(1,357)
Revenue	\$	621,418	\$	617,330
Segment Earnings				
Mobile Equipment	\$	20,971	\$	21,344
Industrial Components		10,407		10,697
Power Systems		12,009		12,282
Corporate costs and eliminations		(5,028)		(4,932)
Earnings	\$	38,359	\$	39,391

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

Note 12 Distributions paid

The Fund makes monthly cash distributions and may make special cash/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year. Cash distributions are dependent on, among other things, the cash flow of the Fund.

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

Note 13 Subsequent event

On August 8, 2007 the Fund came to an agreement to sell property from its Power Systems segment. The property, which was previously held for development, has a carrying value of \$3.1 million dollars and is expected to be sold in September 2007 for proceeds of approximately \$5.5 million dollars resulting in a gain of approximately \$2.4 million.

Note 14 Comparative information

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