

SECOND QUARTER REPORT TO UNITHOLDERS
FOR THE SIX MONTHS ENDED
JUNE 30, 2005

W A J A X I N C O M E F U N D 2 0 0 5





WAJAX INCOME FUND
News Release

TSX Symbol: WJX.UN

WAJAX ANNOUNCES SECOND QUARTER 2005 RESULTS

(Dollars in millions, except per unit data)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Revenue	\$291.9	\$238.1	\$546.0	\$449.0
Net earnings before conversion-related items*	\$9.7	\$4.6	\$14.7	\$7.1
Income fund conversion-related items (after-tax)**	\$(6.7)	-	\$(6.7)	-
Net earnings	\$3.0	\$4.6	\$8.0	\$7.1
Earnings per unit (basic):				
- Before conversion-related items*	\$0.61	\$0.29	\$0.92	\$0.45
- Conversion-related items**	\$(0.42)	-	\$(0.42)	-
- Net earnings	\$0.19	\$0.29	\$0.50	\$0.45

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

** Income fund conversion-related items include costs related to the conversion and the early extinguishment of long-term debt.

Toronto, Ontario – August 9, 2005 – Wajax Income Fund today announced second quarter 2005 results.

Second Quarter Highlights

- Revenues increased \$53.8 million, or 23% (27% after adjusting for the decline in the value of the U.S. dollar) compared to last year. Mobile Equipment revenues increased 28%, Industrial Components 13% and Power Systems (formerly Diesel Engines) were up 26% as solid increases were realized in most regions in Canada and the U.S., with particular strength continuing in the Alberta energy sector.

- Stronger sales led to significantly improved earnings in all three segments. Compared to the previous year, Mobile Equipment earnings were up 38% to \$8.0 million, Industrial Components increased more than twofold to \$3.9 million and Power Systems improved by 23% to \$4.8 million.
- The plan of arrangement converting Wajax Limited to an income fund was completed effective June 15, 2005. Pretax conversion-related costs of \$10.2 million (\$6.7 million after-tax) were charged to earnings in the quarter. These costs include \$7.6 million for the early extinguishment of long-term debt and \$2.6 million for the acceleration of certain executive and director long-term incentives, including Wajax Limited stock based compensation plans.
- Net earnings for the quarter after giving effect to the conversion-related costs were \$3.0 million or \$0.19 per unit compared to \$4.6 million or \$0.29 per unit recorded in 2004.
- The Fund completed its debt refinancing by entering into a three year term bank facility totaling \$95.0 million. As at June 30, 2005, the fund had \$58.0 million in borrowings against this facility.
- Estimated distributable cash (see Non-GAAP Measures section in MD&A) for the twelve-months ended June 30, 2005 was \$2.45 per unit, up from an estimated \$2.20 per unit for the twelve months ended March 31, 2005.
- The Fund announced a distribution for August, 2005 of \$0.1833 per unit (\$2.20 per unit annualized) payable on September 20, 2005, to shareholders of record on August 31, 2005.

Commenting on the second quarter results and the outlook for the rest of the year, Neil Manning, President and CEO, stated "We are very pleased with the performance of our operating divisions in the second quarter. We continue to enjoy a strong economy in many sectors and particularly the resource sector in western Canada. We remain confident that the factors driving our revenues and earnings in the first six months of 2005 will continue to positively impact our results for the balance of the year."

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.

Complete financial statements and management's discussion and analysis can be accessed at www.wajax.com.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – SECOND QUARTER 2005

The following management discussion and analysis (“MD&A”) provides a review of the consolidated financial condition and results of operations of Wajax Income Fund (the “Fund” or “Wajax”) and Wajax Limited (the “Company”) for the quarter ended June 30, 2005. The following discussion should be read in conjunction with the information contained in the accompanying financial statements and notes thereto for the quarter ended June 30, 2005. For additional information and details, readers are referred to the Company’s financial statements and MD&A for the first quarter of 2005 and the year ended December 31, 2004, as well as the Company’s Annual Information Form, all of which are published separately and are available on SEDAR at www.sedar.com.

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

WAJAX INCOME FUND

Wajax Income Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the declaration of trust dated April 27, 2005.

On May 2, 2005, Wajax Limited announced that its board of directors approved a proposal to convert the Company into an income fund by way of a plan of arrangement (the “Arrangement”). At the annual and special meeting of shareholders held on June 6, 2005, the Arrangement was approved.

Immediately prior to June 15, 2005, the effective date of the Arrangement, an internal reorganization of the Company resulted in substantially all of the Company’s Canadian operating assets being transferred into two limited partnerships. The Mobile Equipment and Power Systems (formerly Diesel Engines) businesses of Wajax are now carried out through the Integrated Distribution Systems Limited Partnership and the Canadian Industrial Components business is carried out through the Kinacor Limited Partnership. The effect of the reorganization is to allow the Fund to operate in a more tax efficient manner. Pursuant to the Arrangement agreement, on June 15, 2005 all of the outstanding shares of Wajax Limited were indirectly exchanged for Fund Units resulting in the Fund owning indirectly all the assets of the Company.

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

DISTRIBUTIONS

The Fund intends to make monthly distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on the 20th day of the following month. On July 6, 2005 the Fund declared an initial cash distribution of \$0.275 per unit for the period June 15, 2005 to July 31, 2005 to unitholders of record on July 29, 2005 payable on August 22, 2005. On August 9, 2005 the Fund declared a distribution of \$0.1833 per unit for the month of August 2005 to unitholders of record on August 31, 2005 payable on September 20, 2005. Management expects that substantially all of the distributions paid by the Fund will be taxable to unitholders.

During the quarter the Company paid a dividend on common shares of \$0.07 per share (\$0.04 per share in the second quarter of 2004).

QUARTERLY RESULTS OF OPERATIONS

Consolidated Results

for the three months ended June 30	2005	2004
Gross revenue	\$291.9	\$238.1
Net earnings before income fund conversion-related items *	\$9.7	\$4.6
Income fund conversion-related items (after tax) **	(\$ 6.7)	-
Net earnings	\$ 3.0	\$4.6
Basic earnings per unit		
- Net earnings before income fund conversion-related items *	\$0.61	\$0.29
- Income fund conversion-related items (after tax) **	(\$0.42)	-
- Net earnings	\$0.19	\$0.29
for the six months ended June 30	2005	2004
Gross revenue	\$546.0	\$449.0
Net earnings before income fund conversion-related items *	\$14.7	\$7.1
Income fund conversion-related items (after tax) **	(\$ 6.7)	-
Net earnings	\$ 8.0	\$7.1
Basic earnings per unit		
- Net earnings before income fund conversion-related items *	\$0.92	\$0.45
- Income fund conversion-related items (after tax) **	(\$0.42)	-
- Net earnings	\$0.50	\$0.45

* Non-GAAP measure, see the Non-GAAP Measures section.

** Income fund conversion-related items include costs related to the income fund conversion and the early extinguishment of long-term debt.

Revenues increased \$53.8 million, or 23%, in the second quarter of 2005 to \$291.9 million from \$238.1 million in 2004. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated quarterly revenues by approximately \$11.4 million. Canadian operations realized lower sales dollars per unit on U.S.-sourced products and Spencer's U.S. dollar revenues were translated to Canadian dollars at a lower exchange rate compared to last year.

Net quarterly earnings of \$3.0 million, or \$0.19 per unit, decreased \$1.6 million compared to the \$4.6 million, or \$0.29 per unit recorded the previous year. Included in the 2005 second quarter earnings are income fund conversion-related items totaling \$10.2 million (\$6.7 million after tax or \$0.42 per unit) which include conversion-related costs of \$2.6 million (\$1.7 million after tax or \$0.11 per unit) and charges associated with the early extinguishment of long-term debt of \$7.6 million (\$5.0 million after tax or \$0.31 per unit). Excluding these income fund conversion-related items, net earnings for the quarter increased \$5.1 million, or \$0.32 per unit, to \$9.7 million, or \$0.61 per unit, from the previous year.

For the six months ended June 30, 2005 revenue increased \$97.0 million, or 22%, to \$546.0 million and net earnings increased \$0.9 million to \$8.0 million, or \$0.50 per unit, from \$7.1 million, or \$0.45 per unit, the previous year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated revenues for the six months ended June 30, 2005 by approximately \$17.6 million. Excluding the income fund conversion-related items described above, earnings increased \$7.6 million to \$14.7 million compared to last year.

The following factors contributed to the change in year-over-year quarterly results from operations:

- Mobile Equipment's revenues increased 28%, or \$32.1 million, and segment earnings increased \$2.2 million due to higher equipment sales and parts and service volumes in all regions of Canada.
- Industrial Components' revenues increased 13%, or \$10.8 million, and segment earnings increased \$2.3 million as a result of higher volumes in both Kinecor and Spencer.
- Power Systems' revenues increased by 26%, or \$11.0 million and segment earnings increased \$0.9 million as a result of the strong oil and gas sector in western Canada.
- Income fund conversion-related costs of \$2.6 million included certain accelerated executive and director long-term incentive payments including stock based compensation.
- Interest expense of \$1.4 million decreased \$0.5 million quarter-over-quarter primarily as a result of a \$13.6 million reduction in the average amount of funded debt outstanding during the quarter compared to last year. Interest expense related to the early extinguishment of long-term debt of \$7.6 million included a pre-payment penalty of \$6.8 million and unamortized deferred financing costs of \$0.8 million.
- The effective income tax rate of 17.5% was lower than the Company's statutory income tax rate of 34.3% due to a portion of the Fund's income, earned subsequent to the effective date of the Arrangement, that will be distributed to unitholders and not subject to tax in the Fund.
- Funded debt, net of cash, of \$54.8 million increased \$4.0 million compared to March 31, 2005 but was \$3.6 million lower compared to June 30, 2004. As a result, the Company's quarter-end debt to equity ratio of 0.27:1 was improved from last year's ratio of 0.32:1.

Mobile Equipment

for the three months ended June 30	2005	2004
Equipment	\$106.3	\$77.4
Parts and service	\$41.3	\$38.1
Gross revenue	\$147.6	\$115.5
Segment earnings	\$8.0	\$5.8
Segment earnings margin	5.4%	5.0%

for the six months ended June 30	2005	2004
Equipment	\$188.6	\$138.4
Parts and service	\$83.9	\$75.1
Gross revenue	\$272.5	\$213.5
Segment earnings	\$13.8	\$9.5
Segment earnings margin	5.1%	4.5%

Revenues increased 28%, or \$32.1 million, to \$147.6 million in the second quarter of 2005 from \$115.5 million in 2004. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated quarterly revenues by approximately \$7.2 million. Segment earnings increased \$2.2 million to \$8.0 million compared to the previous year. For the six months ended June 30, 2005, revenues increased 28% to \$272.5 million and segment earnings increased 45% to \$13.8 million from \$9.5 million. The following factors contributed to the second quarter results:

- Revenues in western Canada increased \$21.0 million quarter-over-quarter due to a 50%, or \$18.6 million, increase in equipment sales and a 16%, or \$2.4 million, increase in parts and service volumes. The equipment sales increase was driven by an \$11.4 million increase in mining equipment sales due primarily to a partial delivery of the Elk Valley Coal mining package and a 34%, or \$8.9 million, increase in construction and forestry equipment sales resulting from the strong demand for new and used equipment in western Canada. Material handling equipment sales declined \$1.8 million and crane and utility equipment sales increased by \$0.1 million. Revenue building initiatives in the parts and service business, particularly in the mining and construction and forestry sectors, resulted in the 26% increase in parts and service revenues. Earnings increased \$1.8 million compared to last year as the impact of higher volumes and parts margins was offset, in part, by increased selling and administrative expenses resulting from the increased sales activity.
- Revenues in central Canada (Ontario) increased \$6.5 million in the quarter due to a 27%, or \$5.8 million, increase in equipment sales and a 6%, or \$0.7 million, increase in parts and service revenues. A 56%, or \$4.9 million, increase in forestry and construction equipment sales which included a \$3.9 million increase in Hitachi excavator sales combined with a \$1.9 million increase in crane and utility equipment sales resulting from increased deliveries to a major utility customer, more than offset a \$1.0 million decline in material handling equipment sales. The 6% increase in parts and service revenue is reflective of the region's renewed focus to grow this higher margin part of the business. Earnings increased by \$0.1 million as the positive volume variance was offset by lower new equipment margins and higher selling and administrative expenses compared to last year.
- In eastern Canada revenues increased 16%, or \$4.6 million, compared to last year due to an increase in equipment revenues. Parts and service volumes remained flat year-over-year. Equipment revenue increases of \$4.3 million in the forestry and construction sector resulting from strong market demand and a \$1.4 million increase in material handling equipment

revenues, more than offset a \$0.3 million reduction in mining equipment sales and a \$0.8 million reduction in crane and utility equipment revenues due to a large order delivered to a major utility in 2004. Earnings increased by \$0.3 million as the positive impact of increased volumes and higher margins more than offset an increase in selling and administrative expenses compared to last year.

As previously reported, the Mobile Equipment segment received an order from North American Construction Group for fifteen 320 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels with deliveries over 16 months from the end of December 2004. Due to a tire supply shortage, certain trucks that were scheduled for delivery in 2006 may be delayed until 2007.

Industrial Components

for the three months ended June 30	2005	2004
Canada - Kinecor	\$74.5	\$64.1
United States – Spencer	\$16.4	\$16.0
Gross revenue	\$90.9	\$80.1
Canada - Kinecor	\$3.2	\$1.4
United States – Spencer	\$0.7	\$0.2
Segment earnings	\$3.9	\$1.6
Segment earnings margin	4.3%	2.0%
for the six months ended June 30	2005	2004
Canada – Kinecor	\$143.3	\$124.2
United States – Spencer	\$31.4	\$29.3
Gross revenue	\$174.7	\$153.5
Canada – Kinecor	\$5.6	\$2.0
United States – Spencer	\$1.3	\$0.3
Segment earnings	\$6.9	\$2.3
Segment earnings margin	3.9%	1.5%

Revenues increased 13% to \$90.9 million in the second quarter of 2005 from \$80.1 million and earnings more than doubled to \$3.9 million compared to \$1.6 million the previous year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated quarterly revenues by approximately \$3.0 million. For the six months ended June 30, 2005, revenue increased 14% to \$174.7 million and segment earnings tripled to \$6.9 million from \$2.3 million in 2004. The following factors contributed to the quarterly results:

- Revenues in Kinecor increased \$10.4 million to \$74.5 million in 2005 as all regions across Canada achieved revenue gains. Bearings and power transmission sales increased 14%, or \$5.9 million, due to stronger sales in all regions including improvements in the forestry, mining and industrial sectors, gains in western Canada's oil and gas sector and a new branch in Rimouski, Quebec. Hydraulics parts and service revenues increased 21%, or \$4.5 million, as a result of the continued strength of the oil and gas and mining sector in western Canada and increased market penetration in central Canada. Earnings increased \$1.8 million to \$3.2 million as improved volumes more than offset higher selling and administrative expenses resulting from higher personnel costs compared to last year.

- Revenues in Spencer, a U.S.-based hydraulics business, increased \$0.4 million or 3% (12% on a U.S. dollar basis) to \$16.4 million compared to \$16.0 million last year due mainly to higher parts sales to OEMs, improved agricultural sector sales and increased mining parts and service revenues. Earnings for the quarter increased \$0.5 million to \$0.7 million as the impact of higher volumes and margins more than offset an increase in selling and administrative expenses compared to last year.

On May 2, 2005 the Board decided that Spencer would not be a significant part of the Company's future business plans and that strategic alternatives, including a disposition, would be evaluated.

Power Systems (formerly Diesel Engines)

for the three months ended June 30	2005	2004
Equipment	\$27.9	\$18.6
Parts and service	\$26.2	\$24.5
Gross revenue	\$54.1	\$43.1
Segment earnings	\$4.8	\$3.9
Segment earnings margin	8.9%	9.0%

for the six months ended June 30	2005	2004
Equipment	\$49.1	\$33.1
Parts and service	\$51.0	\$49.9
Gross revenue	\$100.1	\$83.0
Segment earnings	\$8.8	\$7.2
Segment earnings margin	8.8%	8.7%

Revenues increased 26%, or \$11.0 million, to \$54.1 million in the second quarter of 2005 compared to \$43.1 million in 2004. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2005 consolidated quarterly revenues by approximately \$1.2 million. Segment earnings increased \$0.9 million to \$4.8 million from \$3.9 million in the previous year. For the six months ended June 30, 2005, revenues increased \$17.1 million to \$100.1 million and earnings improved \$1.6 million to \$8.8 million. The following events affected quarterly revenues and earnings:

- Revenues at the Waterous Power Systems operation in Alberta were 47%, or \$11.1 million, ahead of 2004. Equipment sales increased \$9.3 million and parts and service revenues increased \$1.8 million compared to last year. These increases were due mainly to an increase in oil and gas activity in western Canada.
- Revenues from the Quebec and Maritimes operation, Detroit Diesel-Allison Canada East, remained relatively flat, decreasing \$0.1 million to \$19.1 million compared to last year. A \$0.4 million increase in service revenues due mainly to a stronger on-highway retail market, was more than offset by a \$0.5 million reduction in parts revenues due to decreased sales to Freightliner truck dealers offset, in part, by an increase in retail parts sales. Equipment sales remained flat quarter-over-quarter.
- Earnings increased \$0.9 million to \$4.8 million as higher sales volumes in Waterous Power Systems more than offset higher selling and administrative expenses resulting primarily from increased personnel costs compared to last year.

SELECTED QUARTERLY INFORMATION

	2005		2004*				2003*	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$291.9	\$254.1	\$249.2	\$230.0	\$238.1	\$210.9	\$230.9	\$207.8
Net earnings	3.0	5.0	6.0	5.2	4.6	2.5	3.4	2.6
Earnings per share								
- Basic	\$0.19	\$0.32	\$0.38	\$0.33	\$0.29	\$0.16	\$0.22	\$0.17
- Diluted	\$0.19	\$0.31	\$0.37	\$0.33	\$0.28	\$0.16	\$0.22	\$0.16

* Restated. See Note 2 in the Q2 2005 and Q4 2004 quarterly financial statements available on SEDAR at www.sedar.com.

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

NON-GAAP MEASURES

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

"Net Earnings before Income Fund Conversion-related Items" and "Net Earnings per Unit before Income Fund Conversion-related Items" are non-GAAP financial measures that Management believes are useful to investors because they exclude the impact of conversion-related items which are non-recurring in nature and therefore provide more meaningful information for investors, and management, to assess the ongoing financial performance of the Fund. A reconciliation between reported Net Earnings and Net Earnings before Income Fund Conversion-related Items, and Net Earnings per Unit and Net Earnings per Unit before Income Fund Conversion-related Items, is detailed in the Results of Operations section above.

"Distributable Cash" and "Estimated Distributable Cash" 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 Estimated Distributable Cash as presented may not be comparable to similar measures presented by other entities. The Fund believes that Distributable Cash and Estimated Distributable Cash are useful financial metrics as they represent the key determination of cash flow available for distribution to Unitholders. Distributable Cash and Estimated Distributable Cash should not be construed as an alternative to net earnings as determined by GAAP. See the Distributable Cash and Estimated Distributable Cash sections below for the method of calculating the Fund's Distributable Cash and Estimated Distributable Cash.

References to "EBITDA" are to earnings before interest expense, income taxes, depreciation and amortization. EBITDA is a measure used by many investors to compare issuers on the basis of their ability to generate cash from operations. EBITDA is not a recognized measure under GAAP and is not intended to be representative of cash flow or results of operations determined in accordance with GAAP or cash available for distributions. Management believes that EBITDA is a better measure than net earnings from which to make adjustments to determine distributable cash.

Since the Fund intends to distribute substantially all of its available cash on an ongoing basis, management believes that EBITDA is a useful measure in evaluating the performance of the Fund and, hence, cash available for distribution by the Fund. However, EBITDA should not be construed as an alternative to net earnings as determined in accordance with GAAP or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows, or as an indicator of the Fund's performance. EBITDA as presented may not be comparable to similarly titled amounts reported by other entities.

"Adjusted EBITDA" is EBITDA after removing the effect of non-recurring items and giving effect to adjustments as described under the Distributable Cash section. Non-recurring items are transactions or events which management believes are unusual in the context of a publicly-traded entity or which are not expected to recur within the foreseeable future. Adjusted EBITDA is not a recognized measure under GAAP and the qualifications outlined above with respect to EBITDA apply equally to Adjusted EBITDA.

A reconciliation of net earnings to EBITDA, based on the Fund's financial statements, has been provided in the Distributable Cash section.

LIQUIDITY AND CAPITAL RESOURCES

The Fund used \$3.1 million of cash before financing activities in the second quarter of 2005 compared to cash generated of \$0.9 million in the second quarter of 2004. For the six months ended June 30, 2005 the Fund used \$22.8 million of cash flow before financing activities compared to \$14.7 million the previous year.

Cash used in operating activities amounted to \$0.4 million in the second quarter of 2005, with \$4.8 million of cash used in changes in non-cash working capital before the impact of changes in foreign currency translation rates offset by \$4.4 million of cash generated from operating earnings. Cash generated from operating earnings was negatively impacted by \$12.6 million of conversion-related costs paid in the quarter. Significant components of the increase in non-cash working capital are as follows:

- Accounts receivable decreased by \$3.2 million as a result of improved collections and higher equipment sales which typically have a shorter cash cycle.
- Inventory increased \$8.3 million due to the higher sales activity, particularly in the oil and gas sector in western Canada.
- Accounts payable and accrued liabilities decreased by \$0.8 million as lower accruals, due to accrued interest and long-term incentive expenses paid in the quarter, combined with lower customer deposits, more than offset an increase in payables as a result of the higher inventory levels and improved payables management.

For the six months ended June 30, 2005 cash used in operating activities amounted to \$17.1 million and included \$29.8 million of increases in non-cash working capital, net of \$12.7 million of cash from operating earnings and before the impact of changes in foreign currency translation.

Working capital, exclusive of funded debt and cash, increased \$6.6 million to \$157.6 million at June 30, 2005 from \$151.0 million at March 31, 2005. The increase was due to the cash flow factors listed above and the increase in the quarter-end U.S. dollar exchange rate compared to the March 31, 2005 rate.

The Fund invested a net amount of \$2.7 million of the cash provided by operating activities into operations during the second quarter of 2005. The most significant investing activities were \$2.3 million of lift truck rental fleet additions in Mobile Equipment, offset by \$0.9 million in lift truck rental dispositions, and \$1.3 million of other capital asset additions.

Debt, net of cash, of \$54.8 million, increased \$4.0 million compared to March 31, 2005 principally due to the increase in working capital and payments related to the income fund conversion. The Fund's debt to equity ratio increased slightly to 0.27:1 at June 30, 2005 compared to 0.26:1 at March 31, 2005. Compared to June 30, 2004, the debt-to-equity ratio decreased from 0.32:1 to 0.27:1.

In order to facilitate the Arrangement, on June 8, 2005 the Company entered into a new bank credit facility and repaid the U.S. senior notes and Series I and Series II debentures. The early extinguishment of the debt resulted in a \$6.8 million pre-payment penalty and a \$0.8 million write-off of unamortized deferred financing costs. The cost of entering into the new bank credit facility of \$1.7 million has been capitalized and will be amortized over the term of the facility. The new fully secured \$95 million bank credit facility, which expires June 7, 2008, is made up of a \$30 million non-revolving term amount and a \$65 million revolving term amount. Borrowing capacity under the new bank credit facility is dependent upon the level of the Fund's inventories on hand and the outstanding trade accounts receivable. In addition, the new bank credit facility contains customary restrictive covenants including restrictions on the payment of cash distributions and the maintenance of certain financial ratios all of which were met as at June 30, 2005. Borrowings under the new facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S dollar LIBOR rates or prime.

On June 16, 2005, the Fund entered into interest-rate swap contracts with two of its lenders, such that in total the interest rate on \$30 million of its non-revolving term facility is effectively fixed at the 3.47 % plus applicable margins until expiry of the facility on June 7, 2008. The differential the Fund would pay to hypothetically terminate or exchange the swap agreement in the prevailing market conditions is estimated at \$0.3 million.

At June 30, 2005 the Fund had utilized \$58.0 million of its \$95 million bank credit facility.

Based on estimated annual distributable cash of \$2.20 per unit, the Fund expects that additional borrowing capacity under the new bank credit facility along with its currently unutilized \$10 million equipment financing demand facility will 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.

During the quarter Wajax committed to acquire land for an amount of \$2.5 million in 2005. It is anticipated the land will be sold to a third party and leased back in a design build transaction.

The Mobile Equipment segment had possession of \$67.5 million of consigned inventory from a major manufacturer at June 30, 2005 compared to \$48.4 million the previous year. This inventory is not included in the Fund's inventory as the manufacturer has title to the inventory.

The Fund's off balance sheet financing arrangements include operating lease contracts in relation to the Fund's long-term truck rental fleet in the Mobile Equipment segment. At June 30, 2005, the non-discounted operating lease commitment for the rental fleet was \$26.1 million.

Prior to June 8, 2005, the Company hedged its foreign currency exposure on a portion of its U.S. dollar denominated senior notes by entering into offsetting U.S. dollar forward contracts. On June 8, 2005, the Company had a \$1.2 million gain on these hedging activities that was offset by a \$1.2 million unrealized foreign currency loss on the portion of its U.S. dollar-denominated senior notes that did not form part of a hedge against the investment in its U.S. self-sustaining operations.

On June 8, 2005, subsequent to the early repayment of the U.S. dollar-denominated senior notes, the Company entered into a short-term foreign currency forward contract to sell \$16 million U.S. dollars on July 29, 2005 to offset its foreign currency exposure on its investment in its U.S. self-sustaining operations. The fair value of the forward contract at June 30, 2005 is estimated at \$0.4 million and is recorded as an asset on the balance sheet.

During the quarter the Company paid a dividend on common shares of \$1.1 million or, \$0.07 per share (\$0.04 per share in the second quarter of 2004).

DISTRIBUTABLE CASH

Distributable cash for the period fifteen days ended June 30, 2005

Cash flows from operating activities before changes in non-cash working capital ⁽¹⁾	\$3,991
Maintenance capital expenditures	(210)
Distributable Cash ⁽²⁾	3,781
Distributable Cash – per trust unit ⁽²⁾	\$0.226

(1) Based on pro-rata results for the month of June 2005.

(2) See Non-GAAP Measures section above.

The following summary of Estimated Distributable Cash for the twelve months ended June 30, 2005 has been prepared by Wajax on the basis of actual results of operations adjusted for non-recurring items which are transactions or events which management believes are unusual in the context of a publicly-traded entity or which are not expected to recur within the foreseeable future. Adjustments for additional administrative and management costs as well as ongoing maintenance capital expenditures, interest and taxes have also been made. Although the Fund does not have firm commitments for all of these additional amounts and, accordingly, the complete financial effects of all of these additional amounts are not objectively determinable, based on past experience, management has estimated such amounts and prepared the following analysis, which management believes represents a reasonable estimate of Distributable Cash had the Fund been in existence for the twelve months ended June 30, 2005. This analysis is not a forecast or a projection of future results. The actual results of operations of the Fund for any period following the Effective Date will vary from the amount set forth in the following analysis, and those variations may be material. The actual results of Wajax are subject to a number of risks and uncertainties. See Risk and Uncertainties section and Forward-Looking Statements section.

Estimated Distributable Cash for the twelve months ended June 30, 2005 ⁽¹⁾

EBITDA for the Twelve Months ended June 30, 2005⁽¹⁾	54,207
Adjustments to EBITDA ⁽¹⁾	
Income Fund conversion-related costs	2,606
Spencer ⁽³⁾	(2,554)
Management long-term incentive costs ⁽⁴⁾	1,727
Expected impact of mining equipment supply and service orders less discontinued forestry line ⁽⁵⁾	(565)
Adjusted EBITDA ⁽¹⁾	55,421
Management believes that in order to arrive at distributable Cash, Adjusted EBITDA should be reduced by the following:	
Maintenance capital expenditures ⁽⁶⁾	(10,000)
Interest expense ⁽⁷⁾	(3,900)
Taxes ⁽⁸⁾	(500)
Incremental administration expenses ⁽⁹⁾	(200)
Estimated Distributable Cash ^{(1) (2)}	\$40,821
Estimated Distributable Cash – per trust unit ^{(2) (10)}	\$2.454

(1) See Non-GAAP Measures section.

(2) Assumes the Fund was in existence for the period indicated.

(3) The Board has determined that Spencer is not a significant part of its future business plans and is exploring strategic alternatives, including a disposition. Therefore, EBITDA has been reduced by Spencer's EBITDA for the twelve months ended June 30, 2005. Spencer's EBITDA for the 12 months ended June 30, 2005 is derived as follows: EBIT of \$2,143 plus amortization of \$411.

(4) Wajax's executive and director compensation plans were modified as a result of conversion to the Fund. EBITDA has been increased by \$3,259 to take into account those plans that will no longer exist and reduced by \$1,532 to take into account the new compensation plans of the Fund.

(5) In 2005, Wajax reported that it received two significant long-term mining equipment supply and service order from North American Construction Group and Elk Valley Coal. The estimated impact on the first year of these two orders has been included as if they were in place for the twelve month period ending June 30, 2005. Offsetting this amount is the estimated impact of the phase out of the Timberjack forestry equipment line in northern Ontario, Manitoba and the Maritimes in 2005 which estimate has been derived by excluding the actual EBITDA generated by the Timberjack line for twelve months ended June 30, 2005, and adding the estimated EBITDA that will be generated for the twelve months ended June 30, 2006 from the lines that the Company has secured to replace the Timberjack line.

(6) For the five year period from 2000 to 2004, average annual maintenance capital expenditures, (including rental equipment but excluding Spencer, U.S. mobile equipment operations sold in 2002 and an ERP computer system abandoned in 2002), was \$9.1 million. The annual maintenance capital expenditures varied between \$3.4 million and \$12.0 million during this period. Management's expectation for future annual maintenance capital expenditures is \$10.0 million. The Company has committed to acquire land for an amount of \$2.5 million in 2005. This amount has not been included in the maintenance capital expenditures as the land will be sold to a third party and leased back in a design build transaction.

(7) Represents estimated interest expense and financing charges on the new bank credit facility, based on an average outstanding balance of \$57,000. The estimated interest expense assumes \$30,000 of fixed rate debt for three years with the remainder subject to floating rates of interest.

(8) Estimated Canadian federal large corporations and income tax.

(9) Represents incremental administration expenses that will be incurred as a result of conversion to an income fund.

(10) Based on 16,582,530 Fund Units outstanding as of June 30, 2005 plus an additional 90,193 Fund Units to be issued from treasury in future periods under the new executive and trustee compensations plans.

The following table reconciles net income to EBITDA based on the historical consolidated financial statements of the Fund for the periods indicated.

Twelve Months Ended
June 30, 2005

Net earnings	19,263
Add:	
Income tax expense	11,514
Depreciation and amortization	10,071
Interest expense, net of deferred financing cost amortization included above	5,767
Costs related to the early extinguishment of long-term debt	7,592
EBITDA (1)	54,207

(1) See Non-GAAP Measures section.

UNIT CAPITAL

Wajax Limited (“the Company”) converted from a share corporation to an income fund trust on June 15, 2005. Under the Arrangement, the former shareholders of the Company indirectly received trust units of the Fund. The trust units of the Fund issued are included in unitholders’ equity on the balance sheet and are summarized as follows.

Issued and fully paid:	2005		2004	
	Number	Amount	Number	Amount
Balance of common shares of the Company at beginning of quarter	15,744,460	\$102.4	15,696,960	\$102.2
Stock options exercised	838,070	6.1	22,000	0.1
Total common shares of the Company indirectly exchanged for Fund trust units	16,582,530	108.5	-	-
Conversion-related costs charged to capital	-	(3.7)	-	-
Balance of trust units of the Fund at end of quarter	16,582,530	\$104.8	15,718,960	\$102.3

During the quarter 838,070 (2004 – 22,000) stock options were exercised with a weighted-average exercise price of \$6.32 (2004 - \$3.80). The Company did not issue any employee stock options during the quarter (2004 – 25,000 with an exercise price of \$10.22 and a weighted average life of 10 years).

Year to date, 843,070 (2004 – 22,000) stock options were exercised with a weighted-average exercise price of \$6.30 (2004 - \$3.80). The Company did not issue any employee stock options year to date (2004 – 86,570 with an exercise price of \$9.03 and a weighted average life of 8.6 years).

As part of the Arrangement to convert the Company into the Fund, the Company permitted exercise of any unvested options. Any outstanding options at the time of conversion were to be cancelled. There were no outstanding options at the time of conversion. The Fund recorded a compensation cost of \$364 thousand (2004 - \$68 thousand) for the quarter and \$419 thousand for the year to date (2004 - \$124 thousand) in respect of employee stock options granted after December 31, 2002. The Company had accounted for employee stock options using the intrinsic value method prior to 2003 and accordingly has not recorded compensation cost for grants prior to this year. There would have been a nominal reduction in both net earnings and earnings per share if the Company had accounted for employee stock options issued in 2002 under the fair value method.

The Fund has replaced the former stock option plan with two new stock-based compensation plans: the Unit Ownership Plan (“UOP”) in which certain members of management participate and the Trustee Deferred Unit Plan (“TDUP”). Both plans issue rights to the participants which are settled by issuing Wajax Income Fund units. Initial grants total approximately 60 thousand UOP rights and 30 thousand TDUP rights. Compensation expense is determined based upon the fair value of the rights when issued and recognized over the vesting period (3 years for the UOP and immediate for the TDUP). The fair value of the rights is equal to the 5-day weighted average trading price of Wajax Income Fund trust units. The Fund has recorded no compensation cost for the UOP and compensation cost of \$577 thousand for the quarter and year to date in respect of the TDUP.

CHANGES IN ACCOUNTING POLICY

Income taxes

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 unit holders. The Fund’s subsidiaries are, however, subject to income taxation and provide for income tax obligations based on statutory corporate tax rates.

Vendor Rebates

Effective September 30, 2004, Wajax adopted CICA EIC-144 “Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor”. The abstract requires a customer to record cash consideration received from a vendor as a reduction in the price of the vendor’s products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. Wajax has restated its 2004 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending June 30, 2004 of \$482 thousand. The impact on balance sheet accounts as of June 30, 2004 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending June 30, 2004 were not impacted by the adoption of the abstract.

Asset Retirement Obligations

Effective January 1, 2004, Wajax adopted the CICA Handbook section 3110 “Asset Retirement Obligations”. This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. Wajax adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at June 30, 2004 were restated as follows: a \$9 thousand increase in fixed assets, an increase in future income taxes of \$281 thousand, an increase in accrued liabilities of \$746 thousand and a decrease in retained earnings of \$450 thousand.

RISKS AND UNCERTAINTIES

As with most businesses, Wajax 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.

Economic Conditions/Business Cyclicity

Wajax's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing, industrial processing and utilities industries. These industries are capital intensive and cyclical in nature, and as a result, customer demand for the Company's products and services may be affected by economic conditions at both a global or local level. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence capital expenditure investment, and therefore the Fund's sales and results of operations. Although Wajax has attempted to address its exposure to business and industry cyclicity by diversifying its operations by geography, product offerings and customer base, there can be no assurance that Wajax's results of operations, and the cash flows of the Fund, will not be adversely affected by changes in economic conditions.

Commodity Prices

Many of Wajax's customers are directly and indirectly affected by fluctuations in commodity prices in the forestry, metals and minerals and petroleum and natural gas industries, and as a result Wajax is also indirectly affected by fluctuations in these prices. In particular, each of Wajax's businesses are exposed to fluctuations in the price of oil. A downward change in these commodity prices, and particularly in the price of oil, could therefore adversely affect the Wajax's results of operations and the cash flows of the Fund.

Manufacturer Relationships and Product Access

Wajax 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. Wajax 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, diesel engines 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. Although Wajax enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significantly adverse affect on the Fund's results of operations and cash flow.

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact on the products distributed by Wajax, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations and cash flow if product lines Wajax distributes become unavailable as a result of the consolidation.

Suppliers generally have the ability to unilaterally change distribution terms and conditions or limit supply of product in times of intense market demand. Supplier changes in the area of product pricing and availability can have a negative or positive effect on Wajax's revenues and margins. As well, from time to time suppliers make changes to payment terms for distributors. This may affect Wajax's interest-free payment period or consignment terms, which may have a materially negative or positive affect on working capital balances such as cash, inventory, accounts payable and bank indebtedness.

The ability of the Wajax to realize its intention to focus its Industrial Components' business on, among other things, the importation of high quality, lower cost hydraulic components from China and eastern Europe is dependent on the continued economic and political stability of these regions. There is no assurance that the Fund will be able to import such components on a consistent basis.

Quality of Products Distributed

The ability of Wajax to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by Wajax to improve and sustain the quality of their products. The quality and reputation of such products are not within Wajax's control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect the Fund's results of operations and the cash flows.

Insurance

Wajax maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to Wajax at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by Wajax. If Wajax is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial condition could be adversely affected.

Foreign Exchange Exposure

Wajax's operating results are reported in Canadian dollars. While the majority of Wajax's sales are in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on Wajax's revenues, margins and working capital balances. Wajax mitigates certain exchange rate risks by entering into short-term foreign currency forward contracts to fix the cost for known commitments, such as the liability associated with imported inventory. In addition, Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. The inability of Wajax to mitigate exchange rate risks or increase prices to offset foreign exchange rates increases may have a material adverse effect on the results of operations or financial condition of Wajax.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on the Company's revenues and cash flows as a result of certain products being imported from the U.S. In some cases market conditions require Wajax to lower its selling prices as the U.S. dollar declines. As well, many of Wajax's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from Wajax.

Wajax currently has one U.S. operating division. The exchange rate between the Canadian and U.S. dollar can vary significantly from year to year. There is a corresponding positive or negative impact on Wajax's statement of earnings solely related to the foreign exchange translation impact year to year. In addition, there is a positive or negative exposure to Wajax depending upon its net investment in this operation and the fluctuation of exchange rates. However, the balance sheet impact of exchange fluctuations has been offset by Wajax's U.S. dollar borrowings and foreign currency forward contracts, which have been established as an effective hedge. The Board has determined that this U.S. operating division is not a significant part of its future business and is exploring strategic alternatives, including a disposition.

Competition

The mobile equipment, industrial components and diesel engines distribution industries in which Wajax competes are highly competitive. In the mobile equipment business, Wajax primarily competes against regional equipment distributors that tend to handle a dedicated product line, such as those offered by John Deere, Komatsu and Caterpillar. There can be no assurance that Wajax will be able to continue to compete on the basis of product quality and price of product lines, distribution and servicing capabilities as well as proximity of its distribution sites to customers.

In terms of the industrial components sector, the hydraulics branches compete with other distributors of hydraulics components on the basis of quality and price of the product lines, the capacity to provide custom-engineered solutions, price and high service standards. The bearings and power transmission product branches compete with a number of distributors representing the same or competing product lines and rely primarily on high service standards, price and value added services to gain market advantage.

The Power System (formerly Diesel Engines) business competes with other major diesel engine distributors representing such products as Cummins and Caterpillar. Competition is based primarily on product quality and pricing.

There can be no assurance that Wajax will be able to continue to effectively compete. Increased competitive pressures or the inability of the Fund to maintain the factors which have enhanced its competitive position could adversely affect its results of operations and cash flows.

Key Personnel

The success of Wajax is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where Wajax competes. Wajax continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. However, there can be no assurance that Wajax will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, may have an adverse impact on Wajax's current operations and future prospects.

Litigation and Product Liability Claims

In the ordinary course of its business, Wajax may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Wajax carries product liability insurance, and management believes that this insurance is adequate to protect against potential product liability claims. Not all risks, however, are covered by

insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving Wajax's assets or operations.

A Statement of Claim was served on August 23, 2004 naming the Fund's subsidiary, Wajax Limited, and a subsidiary since amalgamated into Wajax Limited, as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. Wajax had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Wajax has assessed facts and arguments pleaded and continues to believe the claims would be unlikely to succeed. Should the Fund be unsuccessful in defending these claims, its results of operations and cash flows could be materially adversely affected.

Inventory Obsolescence

Wajax maintains substantial amounts of inventories in all three core businesses. While Wajax believes in has appropriate inventory management systems in place, variations in market demand for the products it sells can result in certain items of inventory becoming obsolete. This could result in a requirement for the Fund to take a material write down of its inventory balance resulting in the Fund not being able to realize expected revenues and cash flows from this inventory, which would negatively affect results from operations and cash flows.

Leverage, Credit Availability and Restrictive Covenants

In order to facilitate the Arrangement, the Company entered into a new \$95 million bank credit facility, see Liquidity and Capital Resources section above. While management believes this facility will be adequate to fund working capital requirements, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the new facility matures.

The amount of debt service obligations under the new facility will be dependant on the level of borrowings and fluctuations in interest rates to the extent the rate is unhedged. As a result, fluctuations in debt servicing costs may have a detrimental effect on future earnings and cash flows.

The new facilities contains restrictive covenants which place restrictions on, among other things, the ability of the Fund to encumber or dispose of its assets, the amount of interest cost incurred and distributions made relative to earnings and certain reporting obligations. A failure to comply with the obligations of the new facilities could result in an event of default which, if not cured or waived, could require an accelerated repayment of the new facilities. There can be no assurance that the Fund's assets would be sufficient to repay the new facility in full.

Wajax also has credit lines available with other financial institutions for purposes of financing inventory and off-balance sheet financing of long-term rental fleet. These facilities are not committed lines and their future availability cannot be assured, which may have a negative impact on cash available for distributions and future growth opportunities.

Credit Risk

Wajax extends credit to its customers, generally on an unsecured basis. Although Wajax is not substantially dependant on any one customer and it has a system of credit management in place, the loss of a large receivable would have an adverse effect on the Fund's profitability.

Guaranteed Residual Value, Recourse and Buy-back Contracts

In some circumstances Wajax makes certain guarantees to finance providers on behalf of its customers. These guarantees can take the form of assuring the resale value of equipment, guaranteeing a portion of customer lease payments, or agreeing to buy back the equipment at a specified price. These contracts are subject to certain conditions being met by the customer, such as maintaining the equipment in good working condition. Historically, the Fund has not incurred substantial losses on these types of contracts, however, there can be no assurance that losses will not be incurred in the future.

Future Warranty Claims

Wajax provides manufacturers' and/or dealer warranties for most of the equipment it sells. In some cases, the warranty claim risk is shared jointly with the equipment manufacturer. Accordingly, Wajax has some liability for warranty claims. There is a risk that a possible product quality erosion or a lack of a skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If Wajax's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on the Fund's business, results of operations, and financial condition.

Maintenance and Repair Contracts

Wajax frequently enters into long-term maintenance and repair contracts with its customers, whereby Wajax is obligated to maintain certain fleets of equipment at various negotiated performance levels. The length of these contracts varies significantly, often ranging up to five or more years. The contracts are generally fixed price, although many contracts have additional provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If Wajax has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the contracted inflationary adjustments, the contract profitability will be adversely affected. In order to mitigate this risk, Wajax closely monitors the contracts for early warnings signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by Wajax to effectively price and manage these contracts could have a material adverse impact on the Fund's business, results of operations and financial condition.

Information Systems and Technology

Information systems are an integral part of Wajax's business processes, including marketing of equipment and support services, inventory and logistics, and finance. Some of these systems are integrated with certain suppliers' core processes and systems. Any disruptions to these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Fund's operating results by limited the ability to effectively monitor and control the Fund's operations.

Government Regulation

Wajax's business is subject to evolving laws and government regulations, particularly in the areas of environment, health, and safety. Changes to such laws and regulations may impose additional costs on Wajax and may adversely affect its business in other ways, including requiring additional compliance measures by Wajax.

Labour Relations

Wajax is a party to 10 collective agreements covering a total of approximately 375 employees. Of these, five expire in 2005, three expire in 2006, one expires in 2007 and one expires in 2008. Wajax believes its labour relations to be satisfactory and does not anticipate any difficulties in respect of renewing collective agreements. If Wajax is unable to renew its collective agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on the Fund's businesses, results of operation or financial condition.

Growth Initiatives / Integration of Acquisitions / Project Execution

As part of its long-term strategy, Wajax intends to continue growing its business through a combination of organic growth and strategic acquisitions. Wajax's ability to successfully grow its business will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to manage its acquisition strategy successfully could have a material adverse impact on the Fund's business, results of operations, and financial condition.

OUTLOOK

The Fund's earnings for the first half of 2005 were ahead of management expectations. The Fund has benefited from strong demand for its products in most sectors of the economy with particular strength in the Alberta energy sector. Management expects that these economic factors will continue to positively impact the Fund's results of operations for the balance of the year.

FORWARD-LOOKING STATEMENTS

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

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

Mississauga, Canada
August 9, 2005



WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the six months ended June 30, 2005

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

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

WAJAX INCOME FUND
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	June 30 2005 unaudited	December 31 2004 audited	June 30 2004 unaudited <small>(restated note 2)</small>
Current Assets			
Cash and cash equivalents	\$ 3,178	\$ 49,409	\$ 26,054
Accounts receivable	128,133	115,207	110,271
Inventories	186,134	161,046	148,993
Future income taxes	8,096	6,132	6,829
Prepaid expenses and other recoverable amounts	3,907	3,963	2,738
	329,448	335,757	294,885
Non-Current Assets			
Rental equipment	17,072	16,362	16,619
Capital assets	30,013	30,251	30,824
Goodwill and other assets	55,711	54,621	54,743
Future income taxes	2,593	2,851	2,901
	105,389	104,085	105,087
	\$ 434,837	\$ 439,842	\$ 399,972
Current Liabilities			
Accounts payable and accrued liabilities	\$ 165,855	\$ 155,730	\$ 122,398
Income taxes payable	2,802	7,935	3,881
Current portion of long-term debt	-	4,683	4,470
	168,657	168,348	130,749
Non-Current Liabilities			
Future income taxes	2,783	3,545	2,516
Long-term pension liability	2,217	2,080	1,983
Long-term debt (note 4)	58,000	70,884	80,035
	63,000	76,509	84,534
Unitholders' Equity			
Trust units (note 1) (note 5)	104,818	102,390	102,296
Contributed surplus	577	373	187
Accumulated earnings	97,785	92,222	82,206
	203,180	194,985	184,689
	\$ 434,837	\$ 439,842	\$ 399,972

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(in thousands of dollars, except per unit data)	Three months ended June 30 unaudited		Six months ended June 30 unaudited	
	2005	2004	2005	2004
Revenue	\$ 291,863	\$ 238,128	\$ 545,962	\$ 449,019
Cost of sales	229,389	184,989	424,719	346,614
Gross profit	62,474	53,139	121,243	102,405
Selling and administrative expenses	47,327	43,590	96,341	86,604
Income fund conversion-related costs (note 1)	2,606	-	2,606	-
Earnings before interest and income taxes	12,541	9,549	22,296	15,801
Interest expense	1,348	1,892	2,876	3,930
Early extinguishment of long-term debt (note 1)	7,592	-	7,592	-
Earnings before income taxes	3,601	7,657	11,828	11,871
Income tax expense (recovery) – current	3,669	3,538	6,479	5,035
– future	(3,038)	(437)	(2,639)	(227)
Net earnings	\$ 2,970	\$ 4,556	\$ 7,988	\$ 7,063
Accumulated earnings, beginning of period	96,139	78,278	92,222	76,399
Adjustment to future income tax in consequence of the income fund conversion (note 3)	(216)	-	(216)	-
Dividends on common shares	(1,108)	(628)	(2,209)	(1,256)
Accumulated earnings, end of period	\$ 97,785	\$ 82,206	\$ 97,785	\$ 82,206
Earnings per unit (Note 6) – basic	\$ 0.19	\$ 0.29	\$ 0.50	\$ 0.45
– diluted	0.19	0.28	0.50	0.44
Number of trust units outstanding	16,582,530	15,718,960	16,582,530	15,718,960
Number of common share stock options outstanding	-	808,507	-	808,507

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended June 30

(in thousands of dollars)	2005 unaudited	2004 unaudited (restated note 2)
OPERATING ACTIVITIES		
Net earnings	\$ 2,970	\$ 4,556
Items not affecting cash flows:		
Amortization		
- Rental equipment	984	844
- Capital assets	1,353	1,331
- Deferred expenses and intangible assets	157	339
Write off of deferred charges	867	-
Pension expense – net of payments	157	190
Non-cash rental expense	33	-
Stock-based compensation expense (note 7)	941	68
Future income taxes	(3,023)	(438)
Cash flows before changes in non-cash working capital	4,439	6,890
Changes in non-cash working capital:		
Accounts receivable	3,182	(4,727)
Inventories	(8,345)	521
Prepaid expenses and other recoverable amounts	(3)	(462)
Accounts payable and accrued liabilities	(825)	(2,596)
Income taxes payable	1,146	2,742
	(4,845)	(4,522)
Cash flows (used by) from operating activities	(406)	2,368
INVESTING ACTIVITIES		
Rental equipment additions	(2,305)	(1,216)
Rental equipment disposals	899	376
Capital asset additions	(1,296)	(658)
Proceeds on disposal of capital assets	8	12
	(2,694)	(1,486)
Cash flows before financing activities	(3,100)	882
FINANCING ACTIVITIES		
Issuance of common shares on exercise of stock options (note 7)	5,295	84
Repayment of long-term debt (note 4)	(77,573)	(1,269)
Income fund conversion costs charged to trust units (note 1)	(3,678)	-
Increase in long-term debt (note 4)	58,000	-
Deferred financing costs (note 4)	(1,762)	-
Hedging activities (note 8)	1,150	-
Dividends paid	(1,108)	(628)
	(19,676)	(1,813)
Cash flows before effect of foreign exchange	(22,776)	(931)
Effect of foreign exchange on translation adjustment	1,720	457
Net change in cash and cash equivalents	\$ (21,056)	\$ (474)
Cash and cash equivalents – beginning of period	\$ 24,234	\$ 26,528
Cash and cash equivalents – end of period	\$ 3,178	\$ 26,054
Cash flows provided by operating activities include the following:		
Interest paid	\$ 3,076	\$ 2,798
Income taxes paid	\$ 2,517	\$ 832
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 503	\$ 221

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30

(in thousands of dollars)	2005 unaudited	2004 unaudited (restated note 2)
OPERATING ACTIVITIES		
Net earnings	\$ 7,988	\$ 7,063
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,945	2,144
- Capital assets	2,566	2,668
- Deferred expenses and intangible assets	388	725
Write off of deferred charges	867	-
Pension expense – net of payments	327	347
Non-cash rental expense	226	-
Stock-based compensation expense (note 7)	996	124
Future income taxes	(2,624)	(228)
Cash flows before changes in non-cash working capital	12,679	12,843
Changes in non-cash working capital:		
Accounts receivable	(12,678)	(4,016)
Inventories	(24,694)	(5,103)
Prepaid expenses and other recoverable amounts	125	(365)
Accounts payable and accrued liabilities	12,571	(15,958)
Income taxes payable	(5,134)	2,531
	(29,810)	(22,911)
Cash flows used by operating activities	(17,131)	(10,068)
INVESTING ACTIVITIES		
Rental equipment additions	(4,656)	(3,911)
Rental equipment disposals	1,269	811
Capital asset additions	(2,320)	(1,641)
Proceeds on disposal of capital assets	20	82
	(5,687)	(4,659)
Cash flows before financing activities	(22,818)	(14,727)
FINANCING ACTIVITIES		
Issuance of common shares on exercise of stock options (note 7)	5,314	84
Repayment of long-term debt (note 4)	(78,477)	(2,084)
Income fund conversion costs charged to trust units (note 1)	(3,677)	-
Increase in long-term debt (note 4)	58,000	-
Deferred financing costs (note 4)	(1,762)	-
Hedging activities (note 8)	(2,327)	(2,025)
Dividends paid	(2,210)	(1,256)
	(25,139)	(5,281)
Cash flows before effect of foreign exchange	(47,957)	(20,008)
Effect of foreign exchange on translation adjustment	1,726	667
Net change in cash and cash equivalents	\$ (46,231)	\$ (19,341)
Cash and cash equivalents – beginning of period	\$ 49,409	\$ 45,395
Cash and cash equivalents – end of period	\$ 3,178	\$ 26,054
Cash flows provided by operating activities include the following:		
Interest paid	\$ 3,876	\$ 4,027
Income taxes paid	\$ 11,609	\$ 2,540
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 731	\$ 541
Note receivable transferred from inventory	\$ 377	\$ -

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

Note 1 Structure of the trust and basis of presentation

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

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

Income fund conversion costs including audit fees, legal fees, investment advisory fees and other costs of \$3,678 thousand were charged to trust units. Conversion-related costs of \$2,606 thousand including the acceleration of certain executive and director long-term incentives, including Wajax Limited stock based compensation plans, were charged to earnings. Costs for the early extinguishment of long-term debt of \$7,592 thousand were charged to interest expense. As a result of the Arrangement, previously recorded future income taxes of \$216 thousand were charged to retained earnings.

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those used in the audited annual consolidated financial statements of Wajax Limited.

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 Wajax Limited for the year ended December 31, 2004.

Note 2 Change in accounting policies

a. Vendor Rebates

Effective September 30, 2004, Wajax adopted CICA EIC-144 "Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor". The abstract requires a customer to record cash consideration received from a vendor as a reduction in

the price of the vendor's products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. Wajax has restated its 2004 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending June 30, 2004 of \$482 thousand. The impact on balance sheet accounts as of June 30, 2004 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending June 30, 2004 were not impacted by the adoption of the abstract.

b. Asset Retirement Obligations

Effective January 1, 2004, Wajax adopted the CICA Handbook section 3110 "Asset Retirement Obligations". This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. Wajax adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at June 30, 2004 were restated as follows: a \$9 thousand increase in fixed assets, an increase in future income taxes of \$281 thousand, an increase in accrued liabilities of \$746 thousand and a decrease in retained earnings of \$450 thousand.

Note 3 Income Taxes

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 unit holders. The Fund's subsidiaries are, however, subject to income taxation and provide for income tax obligations based on statutory corporate tax rates.

Income taxes reported differ from the amount computed by applying Canadian statutory rates to income from operations before income taxes as a result of following:

	June 30, 2005	June 30, 2004
Statutory tax rates	34.3%	34.5%
Earnings before income tax	\$ 3,601	\$ 7,657
Income taxes at the statutory rates	\$ 1,234	\$ 2,625
Income of the Fund taxed directly to unitholders	(1,067)	-
Other	464	476
Income tax expense	\$ 631	\$ 3,101

As a result of the Arrangement, previously recorded future income taxes of \$216 thousand were charged to retained earnings.

Note 4 Long-term Debt

	2005	2004
Revolving term bank credit facility, repayable June 7, 2008	\$ 28,000	\$ -
Non-revolving term bank credit facility, repayable June 7, 2008	30,000	-
U.S. \$50.0 million senior notes, 7.62%, maturing December 18, 2007	-	66,432
Debentures		
10.69%, Series I, maturing August 24, 2009	-	12,415
8.66%, Series II, maturing June 13, 2006	-	5,658
	58,000	84,505
Less current portion	-	4,470
	\$ 58,000	\$ 80,035

In order to facilitate the Arrangement, on June 8, 2005 the Company entered into new bank credit facility and repaid the U.S. senior notes and Series I and Series II debentures. The early extinguishment of the debt resulted in a \$6.8 million pre-payment penalty and a \$0.8 million write-off of unamortized deferred financing costs. The cost of entering into the new bank credit facility of \$1.7 million has been capitalized and will be amortized over the term of the facility. The new fully secured \$95 million bank credit facility, which expires June 7, 2008, is made up of a \$30 million non-revolving term amount and a \$65 million revolving term amount. Borrowing capacity under the new bank credit facility is dependent upon the level of the Fund's inventories on hand and the outstanding trade accounts receivable. In addition, the new bank credit facility contains customary restrictive covenants including restrictions on the payment of cash distributions and the maintenance of certain financial ratios all of which were met as at June 30, 2005. Borrowings under the new facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S dollar LIBOR rates or prime. On June 16, 2005, the Fund entered into interest-rate swap contracts with two of its lenders, such that in total the interest rate on \$30 million of its non-revolving term facility is effectively fixed at 3.47% plus applicable margins until expiry of the facility on June 7, 2008.

Note 5 Trust Units

Wajax converted from a share corporation to an income fund trust on June 15, 2005. Under the Arrangement, the former shareholders of Wajax indirectly received trust units of the Fund. The trust units of the Fund issued are included in unitholders' equity on the balance sheet and are summarized as follows.

	2005		2004	
	Number	Amount	Number	Amount
Issued and fully paid:				
Balance of common shares of the Company at beginning of quarter	15,744,460	\$102,409	15,696,960	\$102,212
Stock options exercised	838,070	6,087	22,000	84
Total common shares of the Company indirectly exchanged for Fund trust units	16,582,530	108,496	-	-
Conversion-related costs charged to capital	-	(3,678)	-	-
Balance of trust units of the Fund at end of quarter	16,582,530	\$104,818	15,718,960	\$102,296

Note 6 Earnings per unit

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

Three months ended June 30	2005		2004
			(restated note 2)
Numerator for basic and diluted earnings per unit: – net income	\$	2,970	\$ 4,556
Denominator for basic earnings per unit : – weighted average units		15,990,853	15,698,877
Denominator for diluted earnings per unit:			
– weighted average units		15,990,853	15,698,877
– effect of dilutive unit rights		7,354	329,238
Denominator for diluted earnings per unit		15,998,207	16,028,115
Basic earnings per unit	\$	0.19	\$ 0.29
Diluted earnings per unit	\$	0.19	\$ 0.28

Six months ended June 30	2005		2004
			(restated note 2)
Numerator for basic and diluted earnings per unit: – net income	\$	7,988	\$ 7,063
Denominator for basic earnings per unit : – weighted average units		15,865,212	15,697,913
Denominator for diluted earnings per unit:			
– weighted average units		15,865,212	15,697,913
– effect of dilutive unit rights		3,677	314,015
Denominator for diluted earnings per unit		15,865,212	16,011,928
Basic earnings per unit	\$	0.50	\$ 0.45
Diluted earnings per unit	\$	0.50	\$ 0.44

No stock options were outstanding at the end of the period (2004 – 805,570). In 2004, 90,000 options with a price range of \$9.25-\$11.50 were excluded from the above calculations as they were not anti-dilutive.

Note 7 Stock-based compensation plans

During the quarter 838,070 (2004 – 22,000) stock options were exercised with a weighted-average exercise price of \$6.32 (2004 - \$3.80). Wajax did not issue any employee stock options during the quarter (2004 – 25,000 with an exercise price of \$10.22 and a weighted average life of 10 years).

Year to date, 843,070 (2004 – 22,000) stock options were exercised with a weighted-average exercise price of \$6.30 (2004 - \$3.80). Wajax did not issue any employee stock options during the year (2004 – 86,570 with an exercise price of \$9.03 and a weighted average life of 8.6 years).

As part of the Arrangement to convert Wajax into an Income Fund, Wajax permitted exercise of any unvested options. Any outstanding options at the time of conversion were to be cancelled. There were no outstanding options at the time of conversion. The Fund recorded a compensation cost of \$364 thousand for the quarter (2004 - \$68 thousand) and \$419 thousand for the year to date (2004 - \$124 thousand) in respect of employee stock options granted after December 31, 2002. Wajax had accounted for employee stock options using the intrinsic value method prior to 2003 and accordingly has not recorded compensation cost for grants prior to this year. There would have been a nominal reduction in both net earnings and earnings per share if Wajax had accounted for employee stock options issued in 2002 under the fair value method.

The Fund has replaced the former stock option plan with two new stock-based compensation plans: the Unit Ownership Plan (“UOP”) in which certain members of management participate and the Trustee Deferred Unit Plan (“TDUP”). Both plans issue rights to the participants which are settled by issuing Wajax Income Fund units. Initial grants total approximately 60 thousand UOP rights and 30 thousand TDUP rights. Compensation expense is determined based upon the fair value of the rights when issued and recognized over the vesting period (3 years for the UOP and immediate for the TDUP). The fair value of the rights is equal to the 5-day weighted average trading price of Wajax Income Fund trust units. The Fund has recorded no compensation cost for the UOP and compensation cost of \$577 thousand for the quarter and year to date in respect of the TDUP.

Note 8 Financial Instruments

Prior to June 8, 2005, the Fund hedged its foreign currency exposure on a portion of its U.S. dollar denominated senior notes by entering into offsetting U.S. dollar forward contracts. The Fund had a \$1.2 million gain on these hedging activities that was offset by a \$1.2 million unrealized foreign currency loss on the portion of its U.S. dollar-denominated senior notes that did not form part of a hedge against the Fund’s investment in its U.S. self-sustaining operations.

On June 8, 2005, subsequent to the early repayment of the U.S. dollar-denominated senior notes, the Fund entered into a short-term foreign currency forward contract to sell \$16 million U.S. dollars on July 29, 2005 to offset its foreign currency exposure on its investment in its

U.S. self-sustaining operations. The fair value of the forward contract at June 30, 2005 is estimated at \$0.4 million and is recorded as an asset on the balance sheet.

The differential the Fund would pay to hypothetically terminate or exchange its interest rate swap contracts (see note 4) in the prevailing market conditions is estimated at \$0.3 million.

Note 9 Employees' pension plans

Net pension plan expenses are as follows:

For the three months ended June 30	2005		2004	
Net pension plan expense – defined benefit plans	\$	215	\$	235
Net pension plan expense – defined contribution plans		848		986
	\$	1,063	\$	1,221

For the six months ended June 30	2005		2004	
Net pension plan expense – defined benefit plans	\$	429	\$	437
Net pension plan expense – defined contribution plans		1,906		1,960
	\$	2,335	\$	2,397

Note 10 Segmented information

For the three months ended June 30	2005		2004	
Revenue				(restated note 2)
Mobile Equipment	\$	147,562	\$	115,498
Industrial Components				
- Canada		74,477		64,087
- United States		16,430		16,018
Total Industrial Components		90,907		80,106
Power Systems (formerly Diesel Engines)		54,053		43,061
Segment eliminations		(659)		(538)
Total consolidated	\$	291,863	\$	238,128

Segment Earnings

Mobile Equipment	\$	8,006	\$	5,751
Industrial Components				
- Canada		3,233		1,435
- United States		643		183
Total Industrial Components		3,876		1,618
Power Systems (formerly Diesel Engines)		4,774		3,883
Corporate costs and eliminations		(1,509)		(1,703)
Income fund conversion-related costs (note 1)		(2,606)		-
Total consolidated	\$	12,541	\$	9,549

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

For the six months ended June 30	2005		2004
Revenue	(restated note 2)		
Mobile Equipment	\$ 272,460	\$	213,542
Industrial Components			
- Canada	143,358		124,166
- United States	31,363		29,333
Total Industrial Components	174,721		153,499
Power Systems (formerly Diesel Engines)	100,091		83,006
Segment eliminations	(1,310)		(1,028)
Total consolidated	\$ 545,962	\$	449,019
Segment Earnings			
Mobile Equipment	\$ 13,763	\$	9,516
Industrial Components			
- Canada	5,639		2,002
- United States	1,326		329
Total Industrial Components	6,965		2,331
Power Systems (formerly Diesel Engines)	8,772		7,191
Corporate costs and eliminations	(4,598)		(3,237)
Income fund conversion-related costs (note 1)	(2,606)		-
Total consolidated	\$ 22,296	\$	15,801

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

Note 11 Contingencies

A Statement of Claim was served on August 23, 2004 naming the Fund's subsidiary, Wajax Limited, and a subsidiary, since amalgamated into Wajax Limited, as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. Management had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Management has assessed the facts and arguments pleaded and continues to believe the claims would be unlikely to succeed.

Note 12 Comparative information

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



Wajax Income Fund
Head Office
3280 Wharton Way
Mississauga, Ontario
Canada L4X 2C5

Web Site: www.wajax.com

Tel #: (905) 212-3300
Fax #: (905) 212-3350