

FOURTH QUARTER REPORT TO UNITHOLDERS
FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2007

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





**WAJAX ANNOUNCES FOURTH QUARTER RESULTS
AND RECORD EARNINGS FROM CONTINUING OPERATIONS FOR 2007**

(Dollars in millions, except per unit data)	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
<u>CONSOLIDATED RESULTS</u>				
Revenue	\$281.5	\$294.5	\$1,192.3	\$1,206.5
Net earnings from continuing operations	\$18.6	\$18.1	\$72.0	\$71.5
Basic earnings per unit from continuing operations	\$1.12	\$1.09	\$4.34	\$4.31
Distributable cash ⁽¹⁾	\$19.3	\$18.6	\$74.1	\$74.0
Basic distributable cash per unit ⁽¹⁾	\$1.16	\$1.12	\$4.47	\$4.46
<u>SEGMENTS</u>				
Revenue - Mobile Equipment	\$149.9	\$139.6	\$627.6	\$619.2
- Industrial Components	\$75.2	\$83.4	\$309.5	\$322.4
- Power Systems	\$57.3	\$72.2	\$258.4	\$267.7
Earnings - Mobile Equipment	\$12.1	\$9.8	\$45.1	\$41.4
% margin	8.1%	7.0%	7.2%	6.7%
- Industrial Components	\$5.0	\$4.4	\$20.0	\$20.7
% margin	6.6%	5.3%	6.5%	6.4%
- Power Systems	\$4.5	\$8.4	\$22.7	\$26.8
% margin	7.9%	11.7%	8.8%	10.0%

⁽¹⁾ Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A).

Toronto, Ontario – February 29, 2008 – Wajax Income Fund today announced fourth quarter 2007 results and record earnings from continuing operations for the full year.

Highlights

- Revenue in the fourth quarter decreased \$13.0 million to \$281.5 million. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing fourth quarter 2007 consolidated revenue by approximately \$16.0 million as savings on U.S. dollar based product purchases were passed on to customers. Mobile Equipment quarterly revenue increased 7% to \$149.9 million in spite of the negative impact of the weaker U.S. dollar, as mining equipment and parts and service sales continued to be strong. Revenue in Industrial Components and Power Systems decreased 10% and 21% respectively, as a result of the slowdown in natural gas drilling in western Canada and, in the case of Power Systems, the negative effects of the weaker U.S. dollar.
- Net earnings from continuing operations for the quarter were \$18.6 million or \$1.12 per unit compared to \$18.1 million or \$1.09 per unit recorded in 2006. Improved segment earnings in Mobile Equipment, up 23%, were a result of higher volumes and margins. Industrial Components earnings increased 14% on higher margins and reduced overhead costs. Power Systems earnings declined 46% as a result of the slowdown in natural gas drilling activity in western Canada. For the year, net earnings from continuing operations were a record \$72.0 million or \$4.34 per unit, up from \$71.5 million, or \$4.31 per unit in 2006.

- Fourth quarter basic distributable cash (See Non-GAAP Measures section in the MD&A) amounted to \$1.16 per unit for the quarter compared to \$1.12 per unit in the previous year. Cash distributions declared in the quarter were \$1.46 per unit, which included a December special distribution of \$0.47 per unit.
- The Fund announced today that subject to standard closing conditions, it has agreed to acquire the assets of Dan Greer Enterprises Limited (“Greer”), the JCB dealer in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$2.2 million. Greer has annual sales of approximately \$7.0 million.
- As of December 1, 2007, the Fund began to distribute the Tigercat line of forestry equipment in Alberta, Ontario, Quebec and part of the Maritimes. Tigercat manufactures a full line of high quality purpose built equipment and is recognized as a market leader in the forestry industry. The Fund is pleased to announce that since year-end, it has secured additional exclusive territorial distribution rights for the Tigercat line of forestry equipment and, by the end of the first quarter, Wajax will become the Tigercat distributor for Manitoba, Newfoundland and Prince Edward Island. This will result in the Fund being the exclusive distributor of the Tigercat line for all Canadian provinces except Saskatchewan and British Columbia.
- The Fund announced monthly cash distributions for March and April, 2008 of \$0.33 per unit (\$3.96 per unit annualized), payable on April 21, 2008 and May 20, 2008, to unitholders of record on March 31, 2008 and April 30, 2008 respectively. As well, a special non-cash distribution of fund units of \$0.05 per unit was deemed to have been made to unitholders of record on December 31, 2007 as provided in the Declaration of Trust. This distribution was deemed to have been made to allocate the non-taxable portion of the Fund’s capital gains for the year. The tax effect of this non-cash distribution will be to increase the adjusted cost base of units held by certain unitholders. More complete tax information concerning distributions will be available on the Fund’s website at www.wajax.com.

Commenting on the results for 2007 and the outlook for 2008, Neil Manning, President and CEO, stated “In 2007 we achieved another record year of earnings from continuing operations in the face of significant currency and commodity price fluctuations and a mixed economic performance in a number of our markets. We also managed to reduce our debt and we continue to maintain a strong balance sheet with ample capacity for future growth. Looking forward to 2008, consensus expectations are for a moderation in growth for the Canadian economy as a whole. We expect mining, including the oil sands, to continue to be strong, as well as spending on power generation, infrastructure and non-residential construction. The strong Canadian dollar will continue to present challenges for the forestry and manufacturing sectors and to date, there has been no meaningful up-tick in natural gas drilling activity. As a result of our diversity across these markets, we expect the Fund will enjoy another solid performance in 2008.”

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

Management's Discussion and Analysis – Q4 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 quarter ended December 31, 2007. This MD&A should be read in conjunction with the information contained in the Unaudited Interim Consolidated Financial Statements and accompanying notes for the quarter-ended December 31, 2007, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2007 and the associated MD&A. Information contained in this MD&A is based on information available to management as of February 29, 2008.

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

Responsibility of Management and the Board of Trustees

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Fund's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls and procedures can only provide reasonable assurance over the effectiveness of the controls. As a result, disclosure controls and procedures are not expected to prevent and detect all misstatements due to error or fraud. During the year the Fund's management, under the supervision of and with the participation of the Fund's CEO and CFO, has designed and evaluated the effectiveness and operation of its disclosure controls and procedures. Based on the evaluation of disclosure controls and procedures, the CEO and CFO, have concluded that the Fund's disclosure controls and procedures are effective as at December 31, 2007.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the year the Fund's management, under the supervision of and with the participation of its CEO and CFO, has completed an assessment of the design of internal control over financial reporting. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. With regard to general controls over information technologies, management also used the set of practices of Control Objectives for Information and related Technology (COBIT) created by the IT Governance Institute. This assessment includes a risk evaluation and documentation of key processes. Due to the inherent limitations in all control systems, an evaluation of internal control over financial reporting can only provide reasonable assurance over the effectiveness of the controls. As a result, the system of internal control over financial reporting is not expected to prevent and detect all misstatements due to error or fraud. Based on

the assessment of internal control over financial reporting, the CEO and CFO have concluded that the Fund's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at December 31, 2007.

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, except as required by law.

Consolidated Results

	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Revenue	\$281.5	\$294.5	\$1,192.3	\$1,206.5
Gross profit	\$64.5	\$67.1	\$264.1	\$266.2
Selling and administrative expenses	\$45.1	\$47.0	\$187.8	\$186.9
Gain on sale of property, plant and equipment	-	-	(\$2.4)	-
Earnings from continuing operations before interest and income taxes	\$19.4	\$20.1	\$78.8	\$79.3
Interest expense	\$1.0	\$1.3	\$4.9	\$4.5
Income tax (recovery) expense	(\$0.2)	\$0.8	\$1.9	\$3.4
Net earnings from continuing operations	\$18.6	\$18.1	\$72.0	\$71.5
Gain from discontinued operations	-	\$1.3	-	\$1.3
Net earnings	\$18.6	\$19.4	\$72.0	\$72.8
Distributable cash (1)	\$19.3	\$18.6	\$74.1	\$74.0
Distributions declared - Cash	\$24.2	\$34.2	\$72.3	\$73.5
- Non-cash (3)	\$0.9	-	\$0.9	-
Distributions paid	\$16.4	\$15.3	\$82.9	\$63.8
Earnings from continuing operations				
- Basic	\$1.12	\$1.09	\$4.34	\$4.31
- Diluted	\$1.11	\$1.08	\$4.31	\$4.28
Earnings per unit				
- Basic	\$1.12	\$1.17	\$4.34	\$4.39
- Diluted	\$1.11	\$1.16	\$4.31	\$4.36
Distributable cash per unit (1)(2)				
- Basic	\$1.16	\$1.12	\$4.47	\$4.46
- Diluted	\$1.15	\$1.11	\$4.44	\$4.44
Distributions declared per unit (2)				
- Cash	\$1.46	\$2.06	\$4.36	\$4.43
- Non-cash (3)	\$0.05	-	\$0.05	-
Distributions paid per unit (2)	\$0.99	\$0.92	\$5.00	\$3.85

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

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

(3) See Distributions section.

Revenue

Revenue in the fourth quarter of 2007 decreased \$13.0 million to \$281.5 million from \$294.5 million in 2006. However, the strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 consolidated quarterly revenue by approximately \$16.0 million, or 5%, as the Fund realized lower sales dollars

per unit on U.S. sourced products. Segment revenue increased 7% in Mobile Equipment while revenue fell 10% and 21% in Industrial Components and Power Systems, respectively.

For the twelve months ended December 31, 2007, revenue decreased \$14.2 million. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 consolidated annual revenue by approximately \$24.0 million, or 2%, as the Fund realized lower sales dollars per unit on U.S. sourced products.

Gross profit

Gross profit in the fourth quarter of 2007 decreased \$2.6 million due mainly to the impact of lower volumes. The gross profit margin percentage for the quarter increased to 22.9% in 2007 from 22.8% in 2006 due principally to higher parts and service margins compared to last year.

For the twelve months ended December 31, 2007, gross profit decreased \$2.1 million due to a decline in volumes, offset partially by a slight increase in the gross profit percentage to 22.2% from 22.1% last year.

Selling and administrative expenses

Selling and administrative expenses decreased \$1.9 million in the quarter mainly due to lower personnel costs in both Power Systems and Industrial Components plus the benefit of cost recoveries, which more than offset higher sales related expenses in Mobile Equipment. However, selling and administrative expenses as a percentage of revenue remained the same at 16.0% compared to last year.

For the twelve months ended December 31, 2007 selling and administrative expenses increased \$0.9 million due primarily to increased costs in both Mobile Equipment and Power Systems, offset by cost reductions in Industrial Components. As a result, selling and administrative expenses as a percentage of revenue increased to 15.8% from 15.5%.

Gain on sale of property, plant and equipment

During the third quarter of 2007, the Fund recognized a \$2.4 million, or \$0.14 per unit after tax, gain on sale of land previously held for development in Power Systems.

Interest expense

Quarterly interest expense of \$1.0 million decreased \$0.3 million due to the Fund's lower cost of borrowing, lower deferred financing costs and lower funded debt net of cash ("funded net debt") outstanding in 2007 compared to last year. For the twelve months ended December 31, 2007, interest expense increased \$0.4 million compared to 2006 due primarily to higher funded net debt outstanding in 2007, offset in part by lower deferred financing costs.

Income tax expense

The effective income tax rate of negative 1.0% for the quarter decreased from 4.3% the previous year due to an increase in the amount of subordinated indebtedness provided by the Fund to its subsidiary Wajax Limited that resulted in additional interest expense in Wajax Limited compared to last year. In addition, a \$0.3 million future tax recovery adjustment was made to reflect temporary differences of the Fund that are estimated to reverse after 2010, tax effected at rates that will apply in the periods the differences are expected to reverse.

For the twelve months ended December 31, 2007 the effective tax rate decreased to 2.6% from 4.5% the previous year as an increase in the amount of subordinated indebtedness provided by the Fund to its subsidiary Wajax Limited resulted in additional interest expense in Wajax Limited. This was partially offset by a \$1.2 million future tax expense adjustment made in the year to reflect the Fund's taxable temporary differences that are estimated to reverse after 2010, tax effected at rates that will apply in the years the differences are expected to reverse.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 33.6% as the majority of the Fund's income is not subject to tax in the Fund.

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and is not currently taxable on its income to the extent that it is distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all income earned by the Fund is distributed to its unitholders. Accordingly, no provision for income taxes is

required on income earned by the Fund that is distributed to its unitholders. The Fund's corporate subsidiaries are subject to tax on their taxable income.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income tax rate. The Fund may become taxable on its distributions prior to 2011 where its equity capital grows beyond certain dollar limits measured by reference to the Fund's market capitalization on October 31, 2006. The Fund has not exceeded its growth limits at December 31, 2007.

Net earnings from continuing operations

Quarterly net earnings of \$18.6 million, or \$1.12 per unit increased \$0.5 million from \$18.1 million, or \$1.09 per unit, in 2006 as the positive impact of higher margins combined with lower selling and administrative, interest and income tax expenses, more than offset the negative impact of lower volumes compared to last year.

Net earnings from continuing operations for the year ended December 31, 2007 increased \$0.5 million to \$72.0 million, or \$4.34 per unit, from \$71.5 million, or \$4.31 per unit, in 2006. The positive impact of the gain on the sale of property, plant and equipment, higher margins and reduced income tax expense were partially offset by the negative impact of lower volumes, a \$2.4 million write-down of forestry equipment inventory and higher selling and administrative and interest expenses compared to last year.

Discontinued operations

The \$1.3 million gain from discontinued operations reported in 2006 resulted from the reversal of certain reserves taken for estimated liabilities retained subsequent to the divestiture of Spencer Industries, Inc. ("Spencer") in 2005 that are no longer required.

Net earnings

Quarterly net earnings of \$18.6 million, or \$1.12 per unit decreased \$0.8 million from \$19.4 million, or \$1.17 per unit, in 2006. For the twelve months ended December 31, 2007 net earnings of \$72.0 million, or \$4.34 per unit decreased \$0.8 million from \$72.8 million, or \$4.39 per unit, in 2006.

Comprehensive income

Comprehensive income for the quarter of \$18.4 million decreased \$1.0 million from \$19.4 million the previous year due to a \$0.8 million decrease in net earnings and an other comprehensive loss of \$0.2 million for the quarter. For the twelve months ended December 31, 2007, comprehensive income of \$71.3 million decreased \$1.5 million from \$72.8 million the previous year due to a \$0.8 million decrease in net earnings and an other comprehensive loss of \$0.7 million. There was no other comprehensive income recorded last year, see the Changes in Accounting Policy section.

Funded net debt

Funded net debt of \$60.8 million decreased \$16.2 million compared to September 30, 2007 as fourth quarter cash flows from continuing operating activities of \$35.1 million exceeded \$16.4 million of cash distributions and \$2.4 million of capital spending.

Compared to December 31, 2006 funded net debt decreased \$6.6 million. The Fund's quarter-end debt-to-equity ratio of 0.31:1 at December 31, 2007 improved from last quarter's ratio of 0.38:1 and from last year's ratio of 0.34:1.

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

For the quarter ended December 31, 2007 distributable cash was \$19.3 million, or \$1.16 per unit, compared to \$18.6 million, or \$1.12 per unit, the previous year. The \$0.7 million increase in distributable cash is due primarily to higher earnings and lower maintenance capital expenditures compared to last year. For the same period cash distributions declared were \$1.46 per unit (2006 - \$2.06 per unit) and included monthly cash distributions of \$0.99 per unit (2006 - \$0.94 per unit) plus a special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit). The special cash distribution was declared to ensure, as provided by the Fund's declaration of Trust, that the Fund's total distributions for the year equal its taxable income.

For the twelve months ended December 31, 2007 distributable cash was \$74.1 million, or \$4.47 per unit, compared to \$74.0 million, or \$4.46 per unit, the previous year. For the same period, cash distributions declared were \$4.36 per unit (2006 - \$4.43 per unit) and included monthly cash distributions totaling \$3.89 per unit (2006 - \$3.31 per unit) plus a special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit). The special cash distribution was declared to ensure, as provided by the Fund's declaration of Trust, that the Fund's total distributions for the year equal its taxable income.

In addition, a special non-cash distribution equal to \$0.05 per unit (2006 - \$nil per unit) was declared December 31, 2007 in order to distribute the Fund's non-taxable portion of its capital gains for the year.

Distributable cash in excess of cash distributions declared for the twelve months ended December 31, 2007 of \$1.8 million, or \$0.11 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

The monthly distributions for each of October, November and December were \$0.33 per unit.

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 December 31		Year ended December 31	
	2007	2006	2007	2006
Equipment	\$105.1	\$98.3	\$450.8	\$453.1
Parts and service	\$44.8	\$41.3	\$176.8	\$166.1
Gross revenue	\$149.9	\$139.6	\$627.6	\$619.2
Segment earnings	\$12.1	\$9.8	\$45.1	\$41.4
Segment earnings margin	8.1%	7.0%	7.2%	6.7%

Revenue in the fourth quarter of 2007 increased \$10.3 million, or 7%, to \$149.9 million compared to \$139.6 million in the fourth quarter of 2006. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 quarterly revenues by approximately \$10.8 million, or 8%, compared to last year. Segment earnings for the quarter increased \$2.3 million to \$12.1 million compared to the fourth quarter of 2006. For the twelve months ended December 31, 2007, revenue increased \$8.4 million, while segment earnings increased \$3.7 million to \$45.1 million. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 annual revenues by approximately \$16.2 million, or 3%, compared to last year. The following factors contributed to the Mobile Equipment segment's fourth quarter results:

- Equipment revenues increased by \$6.8 million compared to last year and included the following quarter-over-quarter variances:
 - Mining equipment revenues increased \$16.5 million due mainly to additional deliveries of Hitachi products in western Canada and the delivery of a Letourneau loader in eastern Canada.
 - Material handling equipment revenues increased \$0.7 million as higher volumes in Ontario and eastern Canada more than offset a decline in western Canada.
 - Crane and utility equipment revenues decreased \$5.3 million due to a decline in new equipment crane sales in western Canada, primarily in the oil and gas sector, and fewer deliveries to a major hydro utility customer in Ontario compared to last year. These revenue declines were partially offset by improved sales in eastern Canada.
 - Forestry and construction equipment revenues decreased \$5.1 million. New Hitachi excavator sales increased reflecting a higher number of units sold during the quarter. However, overall new Hitachi construction equipment sales decreased as 2006 included the sale of four smaller class trucks not repeated in 2007. New JCB construction equipment sales decreased in a number of regions. Forestry

equipment sales decreased due to weaker demand and the transition from the Direct product line to the broader Tigercat line introduced in December 2007.

- Parts and service volumes increased \$3.5 million compared to last year primarily from increases in the western Canada mining sector, including parts sales generated from long-term product support programs, and increased volume in the material handling sector in all regions.
- Earnings increased \$2.3 million as a result of higher volumes and margins, offset by a \$0.2 million increase in selling and administrative expenses compared to last year. Margins improved due mainly to higher margins on mining equipment sales in western Canada compared to last year. Selling and administrative expenses increased primarily due to higher sales related costs in western Canada which were only partially offset by increased expense recoveries compared to last year.

Effective December 1, 2007, the Mobile Equipment operation secured the distribution rights to the Tigercat line of forestry equipment for Alberta, Ontario, Quebec, New Brunswick and Nova Scotia. Tigercat manufactures a full line of high quality purpose built forestry equipment and is recognized as a market leader in the industry. Subsequent to year-end, the Fund was awarded additional distributions rights for Manitoba, Newfoundland and Prince Edward Island effective by the end of March 2008.

On February 29, 2008 the Fund announced that it agreed to acquire the net assets of Dan Greer Enterprises Ltd. ("Greer"), the JCB dealer located in Stoney Creek, Ontario for approximately \$2.2 million. This acquisition will provide the Fund with expanded territorial rights in the Ontario area from Mississauga to Niagara Falls, including Hamilton. Greer has sales of approximately \$7 million annually and it is expected that the transaction will close by the end of March 2008.

As previously reported, the Mobile Equipment segment received an order from North American Construction Group ("NACG") for sixteen 320 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels. During 2007 one truck was delivered. As of December 31, 2007 a total of seven trucks and two shovels have been delivered. Subsequent to year-end, NACG decided not to proceed with the purchase of the remaining nine trucks representing a sales value of approximately \$27 million.

Industrial Components – Kinacor

	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Gross revenue	\$75.2	\$83.4	\$309.5	\$322.4
Segment earnings	\$5.0	\$4.4	\$20.0	\$20.7
Segment earnings margin	6.7%	5.3%	6.5%	6.4%

Revenue at Kinacor of \$75.2 million decreased 10% in the fourth quarter of 2007, or \$8.2 million from \$83.4 million in 2006. However, segment earnings increased \$0.6 million to \$5.0 million, compared to \$4.4 million the previous year. For the twelve months ended December 31, 2007, revenue declined \$12.9 million, while segment earnings decreased \$0.7 million to \$20.0 million compared to the same period last year. The following factors contributed to the segment's fourth quarter results:

- Bearings and power transmission parts sales decreased slightly compared to last year. Improved sales in eastern Canada's mining sector and the industrial processing sector were slightly offset by lower revenues in the forestry sector and a decline in sales to steel processors compared to last year.
- Fluid power parts and service revenue declined \$8.1 million, as a result of reduced natural gas drilling activity in western Canada, and lower sales to resellers and utilities. This more than offset improved industrial market sales across all regions and higher mining sector sales in Ontario and eastern Canada.

- Segment earnings increased \$0.6 million to \$5.0 million, compared to last year as higher margins and lower selling and administrative expenses of \$1.4 million more than offset the negative impact of lower volumes. Margins increased mainly due to higher bearings and power transmission parts margins and higher volume rebates. Selling and administrative expenses declined due to personnel and other cost reductions including lower bad debt expense compared to last year.

Power Systems

	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Equipment	\$26.2	\$38.7	\$127.3	\$139.4
Parts and service	\$31.1	\$33.5	\$131.1	\$128.3
Gross revenue	\$57.3	\$72.2	\$258.4	\$267.7
Segment earnings	\$4.5	\$8.4	\$22.7	\$26.8
Segment earnings margin	7.9%	11.7%	8.8%	10.0%

Revenue in the fourth quarter decreased 21%, or \$14.9 million, to \$57.3 million compared to \$72.2 million in 2006, while segment earnings decreased \$3.9 million to \$4.5 million in the quarter compared to the previous year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 quarterly revenues by approximately \$5.2 million compared to last year. For the twelve months ended December 31, 2007, revenue decreased \$9.3 million to \$258.4 million, while earnings decreased \$4.1 million to \$22.7 million compared to \$26.8 million in 2006. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing 2007 annual revenues by approximately \$7.7 million, or 3%, compared to the previous year. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada was down \$18.0 million compared to last year due to a decline in equipment sales of \$15.5 million and lower parts and service revenues of \$2.5 million. The decline in equipment and parts and service revenues were attributable to the continuing slowdown in natural gas drilling activity and a reduction in large engine overhauls compared to last year.
- Revenue at the eastern Canada operation, DD-ACE Power Systems ("DD-ACE") increased \$3.1 million compared to 2006. Equipment sales increased \$3.0 million, due principally to higher GE Energy engine sales. Parts and service revenues increased \$0.1 million compared to last year.
- Segment earnings decreased \$3.9 million as the negative impact of lower volumes compared to last year was only partially mitigated by higher margins and reduced selling and administrative expenses of \$0.7 million. Margins increased due mainly to a higher proportion of higher margin parts and service revenues compared to last year. Selling and administrative expense reductions were primarily related to lower sales activity in Waterous and higher expense recoveries in DD-ACE, partially offset by increased warranty costs in Waterous.

Selected Quarterly Information

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$281.5	\$289.4	\$319.1	\$302.3	\$294.5	\$294.7	\$314.1	\$303.2
Net earnings from continuing operations	\$18.6	\$19.6	\$15.0	\$18.7	\$18.1	\$18.0	\$18.5	\$16.9
Net earnings from continuing operations per unit								
- Basic	\$1.12	\$1.18	\$0.91	\$1.13	\$1.09	\$1.09	\$1.11	\$1.02
- Diluted	\$1.11	\$1.17	\$0.90	\$1.12	\$1.08	\$1.08	\$1.11	\$1.02
Net earnings	\$18.6	\$19.6	\$15.0	\$18.7	\$19.4	\$18.0	\$18.5	\$16.9
Earnings per unit								
- Basic	\$1.12	\$1.18	\$0.91	\$1.13	\$1.17	\$1.09	\$1.11	\$1.02
- Diluted	\$1.11	\$1.17	\$0.90	\$1.12	\$1.16	\$1.08	\$1.11	\$1.02
Distributable cash ⁽¹⁾	\$19.3	\$19.6	\$15.9	\$19.4	\$18.6	\$19.4	\$17.5	\$18.5
Distributable cash per unit ⁽¹⁾								
- Basic	\$1.16	\$1.18	\$0.96	\$1.17	\$1.12	\$1.17	\$1.05	\$1.11

(1) 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 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 \$32.7 million of cash from operations before financing activities in the fourth quarter of 2007 compared to \$18.5 million in the fourth quarter of 2006. The \$14.2 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 \$35.1 million in the fourth quarter of 2007, with \$21.3 million of cash generated from operating earnings and \$13.8 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 \$13.8 million, largely attributable to the higher payables to mining suppliers in Mobile Equipment and increased accruals at year end in all segments.
- Accounts receivable decreased \$2.1 million as a result of lower sales in Mobile Equipment compared to the last quarter.
- Prepaid expenses increased \$1.4 million as a result of an increase in the amount of deposits with suppliers.

During the quarter the Fund invested a net amount of \$2.4 million of cash provided from operating activities. The investing activities included \$1.2 million of lift truck rental fleet additions, net of disposals and \$1.2 million of other various capital asset additions, net of disposals.

Funded net debt of \$60.8 million decreased \$16.2 million compared to September 30, 2007, as fourth quarter cash flows from continuing operating activities of \$35.1 million exceeded \$16.4 million of cash distributions and \$2.4 million of capital spending. Compared to December 31, 2006 funded net debt decreased \$6.6 million. The

Fund's quarter-end debt-to-equity ratio of 0.31:1 at December 31, 2007 improved from last quarter's ratio of 0.38:1 and from last year's ratio of 0.34:1.

At December 31, 2007 the Fund had borrowed \$55.0 million and issued \$3.8 million of letters of credit for a total utilization of \$58.8 million of its \$175 million bank credit facility and had utilized \$0.1 million of its \$15 million equipment financing facility.

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 expenditures 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 expiry of the facility on June 7, 2008. Margins depend on the Fund's Leverage Ratio and range between 0.75% and 2.50%.
- 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. Margins depend on the Fund's Leverage Ratio and range between 0.75% and 2.50%. The delayed interest rate swap commences on June 7, 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, or receivables from, customers as part of its normal course of business. As at December 31, 2007, the Fund had contracts outstanding to buy US\$10.7 million and €1.2 million (December 31, 2006 – to buy US\$9.5 million and €0.3 million).

Contractual Obligations

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

Off-Balance Sheet Financing

The Mobile Equipment segment had \$52.1 million of consigned inventory on-hand from a major manufacturer as at December 31, 2007 compared to \$67.7 million the previous year. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in the Fund's inventory as the manufacturer retains title to the goods.

The Fund's off balance sheet financing arrangements with Wajax Finance (a "private label" financing operation of CIT Financial Ltd.) include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At December 31, 2007, the non-discounted operating lease commitment for the rental fleet was \$13.1 million (December 31, 2006 - \$14.2 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
October 31, 2007	November 20, 2007	\$0.33	\$5.5
November 30, 2007	December 20, 2007	0.33	5.5
December 31, 2007	January 21, 2008	0.33	5.5
December 31, 2007 – Special ⁽¹⁾	January 21, 2008	0.47	7.8
Three months ended December 31, 2007		\$1.46	\$24.2
January 1, 2007 to September 30, 2007		2.90	48.1
Year ended December 31, 2007		\$4.36	\$72.3

(1) See Distributable Cash section below

On December 31, 2007 a special non-cash distribution of \$0.05 per unit, or \$0.9 million, was paid by way of additional Fund units, in order to distribute the Fund's non-taxable portion of its capital gains for the year. Immediately after the issuance of the additional units, the outstanding Fund units were consolidated such that the number of Fund units was unchanged from the number held immediately prior to the special non-cash distribution.

Cash 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.

The monthly cash distributions for each of October, November and December was \$0.33 per unit (\$3.96 per unit annualized). The Fund declared cash distributions of \$0.33 per unit for the months of January and February, payable on February 20, 2008 and March 20, 2008 to unitholders of record on January 31, 2008 and February 29, 2008, respectively. On February 29, 2008, the Fund announced monthly distributions of \$0.33 per unit (\$3.96 per unit annualized) for March 2008 and April 2008, payable on April 21, 2008 and May 20, 2008, to unitholders of record on March 31, 2008 and April 30, 2008 respectively.

Treatment of the Fund's distributions for Canadian income tax purposes for 2006 and 2007 is as follows:

Taxation Year	Other Income	Capital Gain	Total
2007	97.7324%	2.2676%	100%
2006	100%	-	100%

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

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 Year ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Cash flows from operating activities from continuing operations	\$35.1	\$22.4	\$97.3	\$56.2
Changes in non-cash working capital ⁽²⁾	(13.8)	(1.2)	(12.2)	28.9
Cash flows from continuing operations before changes in non-cash working capital	21.3	21.2	85.1	85.1
Entity specific adjustments ⁽³⁾ :				
Maintenance capital expenditures ^{(1) (3a)}	(2.2)	(2.4)	(11.4)	(10.4)
Gain on sale of land ^(3b)	-	-	2.4	-
Accrual for mid-term incentives ^(3c)	0.3	-	(1.6)	-
Amortization of deferred financing charges ^(3d)	(0.1)	(0.2)	(0.4)	(0.7)
Distributable Cash⁽¹⁾ - \$ - per unit basic	19.3	18.6	74.1	74.0
	\$1.16	\$1.12	\$4.47	\$4.46

- per unit fully diluted	\$1.15	\$1.11	\$4.44	\$4.44
Distributions Declared - \$				
- Cash	24.2	34.2	72.3	73.5
- Non-cash (4)	0.9	-	0.9	-
Distributions Declared - per unit				
- Cash	\$1.46	\$2.06	\$4.36	\$4.43
- Non-cash (4)	\$0.05	-	\$0.05	-
Payout Ratio (5)	125.4%	183.9%	97.6%	99.3%

(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:

- a. Maintenance Capital Expenditures represent capital 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.
- b. Gain on Sale of Land: during the third quarter, the Fund excluded proceeds from the sale of land previously held for development, up to the cost amount, of \$3.1 million as the cost was excluded from the distributable cash when it was originally acquired.
- c. 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.
- d. Amortization of Deferred Financing Costs 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.

(4) See Distributions section.

(5) Payout Ratio is equal to distributions declared as a percentage of distributable cash.

For the quarter ended December 31, 2007 distributable cash was \$19.3 million, or \$1.16 per unit, compared to \$18.6 million, or \$1.12 per unit, the previous year. The \$0.7 million increase in distributable cash is due primarily to higher earnings and lower maintenance capital expenditures compared to last year. Cash distributions declared for the quarter ended December 31, 2007 were \$1.46 per unit (2006 - \$2.06 per unit) and included monthly cash distributions totaling \$0.99 per unit (2006 - \$0.94 per unit) plus a special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit). In addition, a special non-cash distribution was declared December 31, 2007 equal to \$0.05 per unit (2006 - \$nil) in order to distribute the Fund's non-taxable portion of its capital gains for the year. Immediately after the issuance of the additional units, the outstanding Fund units were consolidated such that the number of Fund units was unchanged from the number held immediately prior to the special non-cash distribution.

For the twelve months ended December 31, 2007 distributable cash was \$74.1 million, or \$4.47 per unit, compared to \$74.0 million, or \$4.46 per unit, the previous year. The \$0.1 million increase in distributable cash is due primarily to higher earnings and lower maintenance capital expenditures compared to last year. For the same period, cash distributions declared were \$4.36 per unit (2006 - \$4.43 per unit) and included monthly cash distributions totaling \$3.89 per unit (2006 - \$3.31 per unit) plus a special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit). In addition, a special non-cash distribution was declared December 31, 2007 equal to \$0.05 per unit (2006 - \$nil) in order to distribute the Fund's non-taxable portion of its capital gains for the year. Immediately after the issuance of the additional units, the outstanding Fund units were consolidated such that the number of Fund units was unchanged from the number held immediately prior to the special non-cash distribution.

The special cash distributions were declared to ensure, as provided by the Fund's Declaration of Trust, the Fund's total distributions for the fiscal year were equal to the Fund's taxable income for such year.

For the three months ended December 31, 2007, the payout ratio of cash distributions based on distributable cash was 125%, compared to 184% the previous year. Cash distributions included a \$0.47 per unit (2006 - \$1.12 per unit) special cash distribution declared in December 2007 relating to a portion of the excess distributable cash over taxable income for the entire 2007 year. Excluding the special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit), the payout ratio was 85% (2006 - 84%).

For the twelve months ended December 31, 2007, the payout ratio of cash distributions based on distributable cash was 98% compared to 99%, the previous year. Cash distributions included a \$0.47 per unit (2006 - \$1.12 per unit) special cash distribution declared in December 2007 relating to a portion of the excess distributable cash over taxable income for the 2007 year. Excluding the special cash distribution of \$0.47 per unit (2006 - \$1.12 per unit), the payout ratio was 87% (2006 - 74%).

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

(\$millions)	For the quarter ended December 31, 2007	For the year ended December 31, 2007	For the year ended December 31, 2006
A. Cash flows from operating activities ⁽¹⁾	\$35.1	\$97.3	\$56.2
B. Net earnings ⁽¹⁾	18.6	72.0	71.5
C. Distributable cash ⁽²⁾	19.3	74.1	74.0
D. Cash distributions declared	24.2	72.3	73.5
E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)	10.9	25.0	(17.3)
F. Shortfall of net income over cash distributions declared (B – D)	(5.6)	(0.3)	(2.0)
G. Excess (shortfall) of distributable cash over cash distributions declared (C – D)	(4.9)	1.8	0.5

(1) Based on continuing operations.

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

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

For the quarter ended December 31, 2007, the \$10.9 million excess of cash flows from operating activities over cash distributions declared is due primarily to a reduction in non-cash working capital of \$13.8 million and maintenance capital expenditures, net of disposals, of \$2.3 million, plus \$5.2 million excess of distributable cash over cash distributions declared.

For the twelve months ended December 31, 2007, the \$25.0 million excess of cash flows from operating activities over cash distributions declared is due primarily to a reduction in non-cash working capital of \$12.2 million and maintenance capital expenditures, net of disposals, of \$11.3 million, less the \$2.4 million gain on sale of land, plus a \$3.9 million reserve. The \$3.9 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 year ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Cash flows from operating activities				
- Continuing	\$35.1	\$22.4	\$97.3	\$56.2
- Discontinued	-	0.3	(0.1)	(0.1)
A. Capital expenditure outlays (3)	(2.7)	(4.1)	(13.4)	(18.7)
B. Restriction on distributions (4)	-	-	-	-
Standardized Distributable Cash (1)(2) - \$	32.4	18.6	83.8	37.4
- per unit basic	\$1.95	\$1.12	\$5.05	\$2.25
- per unit fully diluted	\$1.94	\$1.12	\$5.02	\$2.24
i. Capital adjustments made to reflect maintenance capital expenditures (5):				
- Proceeds from disposals of capital expenditures	0.3	0.2	1.0	1.5
- Growth capital expenditures	-	1.1	-	4.9
- Rental fleet transferred to inventory	0.2	0.3	1.1	1.9
ii. Non-recurring adjustments (6):				
- Cash flow (used in) from discontinued operations	-	(0.3)	0.1	0.1
iii. Other entity specific adjustments (7):				
- Changes in non-cash working capital (7a)	(13.8)	(1.1)	(12.2)	28.9
- Gain on sale of land (7b)	-	-	2.4	-
- Accrual for mid-term incentives (7c)	0.3	-	(1.6)	-
- Amortization of deferred financing costs (7d)	(0.1)	(0.2)	(0.4)	(0.7)
Distributable Cash (2) - \$	19.3	18.6	74.1	74.0
- per unit basic	\$1.16	\$1.12	\$4.47	\$4.46
		\$1.11	\$4.44	\$4.44

- per unit fully diluted	\$1.15			
Distributions Declared - \$				
- Cash	24.2	34.2	72.3	73.5
- Non-cash ⁽⁸⁾	0.9	-	0.9	-
Distributions Declared - per unit				
- Cash	\$1.46	\$2.06	\$4.36	\$4.43
- Non-cash ⁽⁸⁾	\$0.05	-	\$0.05	-
Payout Ratio ⁽⁹⁾				
- based on standardized distributable cash	74.7%	183.9%	86.3%	196.5%
- based on distributable cash	125.4%	183.9%	97.6%	99.3%

- (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. Gain on Sale of Land see Distributable Cash section.
 - c. Accruals for Mid-Term Incentives see Distributable Cash section.
 - d. Amortization of Deferred Financing Costs see Distributable Cash section.
- (8) See Distributions section.
- (9) Payout ratio is equal to distributions declared as a percentage of distributable cash.

For the quarter ended December 31, 2007 standardized distributable cash was \$32.4 million, or \$1.95 per unit, compared to \$18.6 million, or \$1.12 per unit, the previous year. The \$13.8 million increase was due primarily to the \$12.7 million decline in non-cash working capital usage.

For the twelve months ended December 31, 2007, standardized distributable cash was \$83.8 million, or \$5.05 per unit, compared to \$37.4 million, or \$2.25 per unit, the previous year. The \$46.4 million increase was due mainly to the \$41.1 million decline in non-cash working capital usage and a \$5.2 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 cash distributions based on standardized distributable cash and distributable cash is 119.9% and 97.6%, respectively. The difference is due primarily to changes in non-cash working capital of \$22.7 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 72 are leased. Wajax's principal properties are primarily sales and service outlets. (At December 31, 2007, the non-discounted operating lease commitments for facilities totaled \$59.2 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, 2007, the non-discounted operating lease commitments for rental fleet totaled \$13.1 million, vehicles \$0.6 million and other equipment \$1.6 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 2007, 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 \$8.9 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 slowdowns 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 December 31, 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 \$372 thousand for the quarter (2006 - \$259 thousand) and \$1,342 thousand for the year to date (2006 - \$854 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, 2007 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, establishes standards for reporting and 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). Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

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.

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 disclosures about financial instruments and non-financial derivatives.

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 bank indebtedness 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. 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 and reclassified to earnings when the hedged items affect income. If the hedged item is a purchase of inventory, the associated gains or losses that were recognized in comprehensive income are included in the initial cost of the inventory. 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 thousand which resulted in a derivative instrument asset of \$626 thousand representing the cumulative gain since inception. \$14 thousand of this gain was recorded in opening retained earnings for the portion of the gain considered to be ineffective and the effective portion of \$612 thousand (\$553 thousand - net of taxes) was recorded in accumulated other comprehensive income. These standards are applied retrospectively without restatement of prior years.

During the quarter ending December 31, 2007, \$126 thousand (\$113 thousand – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at December 31, 2007 resulted in a net loss of \$399 thousand. The ineffective portion of the outstanding contracts was recognized as a \$2 thousand loss in selling and administrative expenses and the remaining effective portion, a loss of \$397 thousand (\$307 thousand – net of tax) was reported in other comprehensive income.

Year to date, \$169 thousand (\$152 thousand – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at December 31, 2007 resulted in a net loss of \$970 thousand. The ineffective portion of the outstanding contracts was recognized as a \$14 thousand loss in selling and administrative expenses and the remaining effective portion, a loss of \$956 thousand (\$812 thousand – net of tax) was reported in other comprehensive income.

As at December 31, 2007 the cash flow hedge derivative contracts had a fair value of \$(175) thousand and are recorded as a derivative instrument liability 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 inventories. 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, 2007 which can be found on SEDAR at www.sedar.com. For the period January 1, 2008 to February 29, 2008 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, 2007.

Outlook

In 2007 Wajax achieved strong results in the face of significant currency and commodity price fluctuations and a mixed economic performance in a number of markets served. Particular strength in demand for our products and

services in the mining, power generation and infrastructure sectors compensated for weaker activity in forestry and natural gas drilling. As well, the Fund continues to maintain a strong balance sheet. At year-end, funded net debt was \$60.8 million, resulting in a conservative debt-to-equity ratio of 0.31:1. Unused debt capacity of more than \$100 million affords the Fund ample future growth capital. Management believes there are good long-term prospects to grow earnings both organically and through acquisition in all three business units.

Looking forward to 2008, consensus expectations are for a moderation in growth for the Canadian economy as a whole. Within that context, we anticipate a continuation of mixed performances from a number of sectors which directly affect Wajax's operations. We expect mining, including the oil sands, to continue to be strong, as well as spending on power generation, infrastructure and non-residential construction. The strong Canadian dollar will continue to present challenges for the forestry and manufacturing sectors. While we believe the fundamentals of the natural gas industry in Canada are positive for the long-term, to date, there has been no meaningful up-tick in drilling activity. Taking into account the preceding assumptions, we expect the Fund will enjoy another solid performance in 2008.

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the three and twelve months ended December 31, 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)	December 31 2007	December 31 2006
Current Assets		
Accounts receivable	\$ 143,669	\$ 145,583
Inventories	207,212	232,318
Future income taxes	1,064	3,571
Prepaid expenses and other recoverable amounts	4,799	7,451
Discontinued operations	-	178
	356,744	389,101
Non-Current Assets		
Rental equipment	21,700	18,893
Property, plant and equipment	29,491	33,280
Goodwill and other assets	59,108	59,059
Future income taxes	269	473
	110,568	111,705
	\$ 467,312	\$ 500,806
Current Liabilities		
Bank indebtedness	\$ 6,830	\$ 5,668
Accounts payable and accrued liabilities	188,388	206,096
Distributions payable to unitholders	13,268	23,883
Income taxes payable	1,457	2,710
Equipment notes payable	70	2,734
Derivative instrument liability (note 2)	175	-
Discontinued operations	347	600
	210,535	241,691
Non-Current Liabilities		
Other liabilities	1,716	120
Long-term pension liability	3,079	2,777
Long-term debt (note 5)	53,879	59,023
	58,674	61,920
Unitholders' Equity		
Trust units (note 1)	104,871	104,871
Unit-based compensation	2,907	1,565
Accumulated earnings	90,432	90,759
Accumulated other comprehensive loss (notes 2 and 3)	(107)	-
	90,325	90,759
Total Unitholders' equity	198,103	197,195
	\$ 467,312	\$ 500,806

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(unaudited, in thousands of dollars, except per unit data)	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Revenue	\$ 281,495	\$ 294,508	\$ 1,192,267	\$ 1,206,524
Cost of sales	216,956	227,377	928,126	940,348
Gross profit	64,539	67,131	264,141	266,176
Selling and administrative expenses	45,125	47,001	187,756	186,874
Gain on sale of land (note 13)	-	-	(2,384)	-
Earnings before interest and income taxes	19,414	20,130	78,769	79,302
Interest expense	1,001	1,265	4,870	4,453
Earnings before income taxes	18,413	18,865	73,899	74,849
Income tax expense (recovery) - current	(409)	288	(487)	819
- future (note 4)	234	521	2,416	2,573
Net earnings from continuing operations	\$ 18,588	\$ 18,056	\$ 71,970	\$ 71,457
Gain from discontinued operations (note 5)	-	1,294	-	1,294
Net earnings	\$ 18,588	\$ 19,350	\$ 71,970	\$ 72,751
Accumulated earnings, beginning of period	96,058	105,574	90,759	91,479
Transitional adjustment (note 2)	-	-	14	-
Distributions	(24,214)	(34,165)	(72,311)	(73,471)
Accumulated earnings, end of period	\$ 90,432	\$ 90,759	\$ 90,432	\$ 90,759
Earnings per unit (note 6)				
- basic earnings per unit from continuing operations	\$ 1.12	\$ 1.09	\$ 4.34	\$ 4.31
- diluted earnings per unit from continuing operations	1.11	1.08	4.31	4.28
- basic earnings per unit	1.12	1.17	4.34	4.39
- diluted earnings per unit	1.11	1.16	4.31	4.36
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	136,297	105,203	136,297	105,203

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

(unaudited, in thousands of dollars)	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Net earnings	\$ 18,588	\$ 19,350	\$ 71,970	\$ 72,751
Losses on derivative instruments designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax (note 3)	113	-	152	-
Losses on derivative instruments designated as cash flow hedges, net of tax (note 3)	(307)	-	(812)	-
Other comprehensive loss	(194)	-	(660)	-
Comprehensive income	\$ 18,394	\$ 19,350	\$ 71,310	\$ 72,751

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended December 31

(unaudited, in thousands of dollars) 2007 2006

OPERATING ACTIVITIES

Net earnings from continuing operations	\$	18,588	\$	18,056
Items not affecting cash flows:				
Amortization				
- Rental equipment		1,273		1,127
- Property, plant and equipment		1,168		1,152
- Intangible assets		72		122
- Deferred expenses		71		177
Employees' pension plans, net of contributions made		(373)		(223)
Long-term portion of mid-term incentive plan expense		(269)		-
Non-cash rental expense		12		31
Unit compensation expense (note 7)		372		259
Future income taxes		234		521
Other		172		-

Cash flows from continuing operations before changes in non-cash working capital		21,320		21,222
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Changes in non-cash working capital

Accounts receivable		2,082		(1,204)
Inventories		(308)		(1,455)
Prepaid expenses and other recoverable amounts		(1,371)		(1,950)
Accounts payable and accrued liabilities		13,800		5,617
Income taxes payable		(404)		130
		13,799		1,138

Cash flows from operating activities from continuing operations		35,119		22,360
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INVESTING ACTIVITIES

Rental equipment additions		(1,457)		(1,334)
Proceeds on disposal of rental equipment		257		50
Property, plant and equipment additions		(1,229)		(2,764)
Proceeds on disposal of property, plant and equipment		19		140
		(2,410)		(3,908)

Cash flows from continuing operations before financing activities		32,709		18,452
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FINANCING ACTIVITIES

Decrease in long-term bank debt		(27,606)		(10,000)
Decrease) in equipment notes payable		(835)		(2,341)
Distributions paid (note 12)		(16,419)		(15,258)
		(44,860)		(27,599)

Net change in cash and cash equivalents before discontinued operations	\$	(12,151)	\$	(9,147)
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Cash and cash equivalents (from) used in discontinued operations		(44)		339
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Cash and cash equivalents - beginning of period		5,365		3,140
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Bank indebtedness - end of period	\$	(6,830)	\$	(5,668)
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Cash flows from operating activities from continuing operations include the following:

Interest paid	\$	425	\$	1,239
Income tax (refund) paid	\$	(25)	\$	158

Significant non-cash transactions:

Rental equipment transferred to inventory	\$	155	\$	336
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WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Year ended December 31	
	2007	2006
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 71,970	\$ 71,457
Items not affecting cash flows:		
Amortization		
- Rental equipment	4,663	4,278
- Property, plant and equipment	4,542	4,674
- Intangible assets	287	337
- Deferred expenses	391	705
Gain on sale of property, plant and equipment (note 13)	(2,384)	-
Employees' pension plans, net of contributions made	148	103
Long-term portion of mid-term incentive plan expense	1,596	-
Non-cash rental expense	67	122
Unit compensation expense (note 7)	1,342	854
Future income taxes	2,416	2,573
Other	23	-
Cash flows from continuing operations before changes in non-cash working capital	85,061	85,103
Changes in non-cash working capital		
Accounts receivable	1,914	(13,026)
Inventories	26,206	(35,765)
Prepaid expenses and other recoverable amounts	2,652	(3,595)
Accounts payable and accrued liabilities	(17,592)	23,963
Income taxes payable	(942)	(488)
	12,238	(28,911)
Cash flows from operating activities from continuing operations	97,299	56,192
INVESTING ACTIVITIES		
Rental equipment additions	(9,447)	(9,006)
Proceeds on disposal of rental equipment	877	1,123
Property, plant and equipment additions	(3,997)	(8,683)
Proceeds on disposal of property, plant and equipment (note 13)	5,628	339
Acquisition of businesses (note 9)	(322)	(8,192)
	(7,261)	(24,419)
Cash flows from continuing operations before financing activities	90,038	31,773
FINANCING ACTIVITIES		
(Decrease) increase in long-term bank debt	(5,000)	25,000
Deferred financing costs	(535)	(35)
Increase in other liabilities	-	120
Repayment of debt upon acquisition of business	-	(446)
Decrease in equipment notes payable	(2,664)	(2,985)
Distributions paid (note 12)	(82,926)	(63,849)
	(91,125)	(42,195)
Net change in cash and cash equivalents before discontinued operations	\$ (1,087)	\$ (10,422)
Cash and cash equivalents used in discontinued operations	(75)	(86)
(Bank indebtedness) cash and cash equivalents – beginning of period	(5,668)	4,840
Bank indebtedness – end of period	\$ (6,830)	\$ (5,668)
Cash flows from operating activities from continuing operations include the following:		
Interest paid	\$ 4,026	\$ 3,831
Income taxes paid	\$ 401	\$ 1,283
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 1,100	\$ 1,961

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 and exchange those on an equal basis for Wajax Trust Units ("Units") in the Fund pursuant to a Plan of 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 policies

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, establishes standards for reporting and 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). Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

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.

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 disclosures about financial instruments and non-financial derivatives.

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.

Upon adoption of these new standards, the Fund designated its bank indebtedness 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. Accounts payable and accrued

liabilities, long-term debt, equipment notes payable, distributions payable to unitholders 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 is recognized in other comprehensive income and reclassified to earnings when the hedged items affect income. If the hedged item is a purchase of inventory, the associated gains or losses that were recognized in comprehensive income are included in the initial cost of the inventory. 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 representing the cumulative gain since inception. \$14 of this gain was recorded in opening retained earnings for the portion of the gain considered to be ineffective and the remaining effective portion of \$612 (\$553 - net of taxes) was recorded in accumulated other comprehensive income. These standards are applied retrospectively without restatement of prior years.

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.

New Standards Issued but not yet Effective

The Fund is currently assessing and has not yet determined 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 inventories. 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

During the quarter ending December 31, 2007, \$126 (\$113 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at December 31, 2007 resulted in a net loss of \$ 399. The ineffective portion of the outstanding contracts was recognized as a \$ 2 loss in selling and administrative expenses and the remaining effective portion, a loss of \$397 (\$307 – net of tax) was reported in other comprehensive income. Accordingly, as at December 31, 2007 the cash flow hedge derivative contracts had a fair value of negative \$175 and are recorded as a derivative instrument liability on the consolidated balance sheets.

Year to date, \$169 (\$152 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at December 31, 2007 resulted in a net loss of \$970. The ineffective portion of the outstanding contracts was recognized as a \$14 loss in selling and administrative expenses and the remaining effective portion, a loss of \$956 (\$812 – net of tax) was reported in other comprehensive income.

	Three months ended December 31 2007	Year ended December 31 2007
Balance beginning of period	\$ 87	\$ -
Transitional amount for new accounting guidelines January 1, 2007 (note 2), net of tax of \$59	-	553
Losses on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax of \$13 (Year, 2007 - \$17)	113	152
Losses on derivatives designated as cash flow hedges, net of tax of \$90 (Year, 2007 - \$144)	(307)	(812)
Accumulated other comprehensive loss	\$ (107)	\$ (107)

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.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income

tax rate. The Fund has recognized future income tax liability for the temporary differences between the carrying amount and tax values of assets and liabilities in respect of proportion of Fund income taxed directly to the unitholders that is expected to reverse in or after 2011.

Note 5 Long-term debt

On March 30, 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 now consists of a \$30 million non-revolving term portion and a \$145 million revolving term portion. In addition, the maturity date was extended from June 7, 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 December 31		Year ended December 31	
	2007	2006	2007	2006
Numerator for basic and diluted earnings per unit:				
– net earnings from continuing operations	\$ 18,588	\$ 18,056	\$ 71,970	\$ 71,457
– net earnings	\$ 18,588	\$ 19,350	\$ 71,970	\$ 72,751
Denominator for basic earnings per unit:				
– weighted average units	16,585,206	16,585,206	16,585,206	16,585,206
Denominator for diluted earnings per unit:				
– weighted average units	16,585,206	16,585,206	16,585,206	16,584,766
– effect of dilutive unit rights	129,068	100,740	120,359	95,162
Denominator for diluted earnings per unit	16,714,274	16,685,946	16,705,565	16,679,928
Basic earnings per unit from continuing operations	\$ 1.12	\$ 1.09	\$ 4.34	\$ 4.31
Diluted earnings per unit from continuing operations	\$ 1.11	\$ 1.08	\$ 4.31	\$ 4.28
Basic earnings per unit	\$ 1.12	\$ 1.17	\$ 4.34	\$ 4.39
Diluted earnings per unit	\$ 1.11	\$ 1.16	\$ 4.31	\$ 4.36

At the end of the quarter 83,229 rights were outstanding under the Wajax Unit Ownership Plan (2006 – 70,217) and 53,068 rights were outstanding under the Trustees' Deferred Unit Plan (2006 – 34,986). 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 TDUP rights are issued to the participants and 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 2,680 rights (2006 – 1,975) were granted under the UOP and 5,059 rights (2006 – 3,822) were granted under the TDUP.

Year to date, 13,012 rights (2006 – 7,177) were granted under the UOP and 18,082 rights (2006 – 10,723) 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 \$372 for the quarter (2006 – \$259) and \$1,342 for the year to date (2006 - \$854) in respect of unit rights plans and \$(424) for the quarter (2006 – \$228) and \$354 for the year to date (2006 - \$403) 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 7, 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 7, 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. These include contracts expiring between January 2008 and August 2008, with rates from \$US 0.9657 to \$US 1.116 and €1.3500 to €1.4970. As at December 31, 2007, the Fund had contracts outstanding to buy US\$10.7 million and €1.2 million (December 31, 2006 – to buy US\$9.5 million and €0.3 million).

Note 9 Acquisition of businesses

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

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 recorded as goodwill. In April 2007, the first conditional payment of \$0.3 million was paid out as per the Agreement of Purchase and Sale. In 2008, the Fund may have to pay up to a further \$0.3 million to complete the transaction.

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

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

The following is a summary of the purchase price allocations:

	2007	2006
Working capital	\$ -	\$ 7,118
Property, plant and equipment	-	627
Goodwill	322	895
Other intangible assets	-	1,200
Purchase price	322	9,840
Assumed debt	-	(446)
Total consideration given	322	9,394
Less: Holdbacks	-	(1,202)
Total cash paid	\$ 322	\$ 8,192

Note 10 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Net pension plan expense – defined benefit plans	\$ 216	\$ 242	\$ 817	\$ 1,056
Net pension plan expense – defined contribution plans	1,070	1,019	4,630	4,243
	\$ 1,286	\$ 1,261	\$ 5,447	\$ 5,299

Note 11 Segmented information

	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
Revenue				
Mobile Equipment	\$ 149,931	\$ 139,630	\$ 627,570	\$ 619,214
Industrial Components	75,221	83,384	309,474	322,449
Power Systems	57,311	72,151	258,386	267,711
Segment eliminations	(968)	(657)	(3,163)	(2,850)
Revenue	\$ 281,495	\$ 294,508	\$ 1,192,267	\$ 1,206,524
Segment Earnings				
Mobile Equipment	\$ 12,138	\$ 9,796	\$ 45,069	\$ 41,422
Industrial Components	5,040	4,417	20,003	20,677
Power Systems	4,486	8,389	22,727	26,794
Corporate costs and eliminations	(2,250)	(2,472)	(9,030)	(9,591)
Earnings	\$ 19,414	\$ 20,130	\$ 78,769	\$ 79,302

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.

On December 31, 2007 a special non-cash distribution of \$0.05 per unit, or \$0.9 million, was paid by way of additional Fund units in order to distribute the Fund's non-taxable portion of its capital gains for the year. Immediately after the issuance of the additional units, the outstanding Fund units were consolidated such that the number of Fund units was unchanged from the number held immediately prior to the special non-cash distribution.

Note 13 Gain on sale of property, plant and equipment

On September 8, 2007, the Fund's Power Systems segment sold land, located in Edmonton, which was previously held for development, for proceeds of \$5.5 million resulting in a gain of \$2.4 million.

Note 14 Comparative information

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

Note 15 Subsequent Events

On February 28, 2008 the Fund agreed to acquire the assets of Dan Greer Enterprises Limited ("Greer"), the JCB dealer in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$2.2 million, subject to standard closing conditions. Greer has annual sales of approximately \$7.0 million.