

FIRST QUARTER REPORT TO UNITHOLDERS
FOR THE THREE MONTHS ENDED
MARCH 31, 2008

W A J A X I N C O M E F U N D 2 0 0 8



TSX Symbol: WJX.UN

WAJAX ANNOUNCES FIRST QUARTER EARNINGS AND INCREASES MONTHLY DISTRIBUTIONS

(Dollars in millions, except per unit data)

	Three Months Ended March 31	
	2008	2007
<u>CONSOLIDATED RESULTS</u>		
Revenue	\$285.7	\$302.3
Net earnings	\$18.1	\$18.7
Basic earnings per unit	\$1.09	\$1.13
Distributable cash ⁽¹⁾	\$18.4	\$19.4
Basic distributable cash per unit ⁽¹⁾	\$1.11	\$1.17
<u>SEGMENTS</u>		
Revenue - Mobile Equipment	\$153.2	\$151.6
- Industrial Components	\$74.9	\$80.1
- Power Systems	\$58.6	\$71.4
Earnings - Mobile Equipment	\$11.4	\$11.2
% margin	7.5%	7.4%
- Industrial Components	\$5.7	\$5.2
% margin	7.7%	6.4%
- Power Systems	\$4.9	\$6.8
% margin	8.3%	9.5%

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

Toronto, Ontario – May 7, 2008 – Wajax Income Fund today announced first quarter 2008 earnings.

First Quarter Highlights

- Consolidated revenue declined 5.5%. The strength of the Canadian dollar negatively impacted consolidated revenue by an estimated 7% (\$21.6 million) as currency related price reductions on product imported from the U.S. were generally passed on to customers. Mobile Equipment revenues increased 1% in spite of the strong Canadian dollar due to higher parts and service volumes, while Power Systems and Industrial Components sales decreased 18% and 6% respectively as a result of reduced natural gas drilling activity in western Canada and the currency issue.
- Net earnings for the quarter of \$18.1 million, or \$1.09 per unit, were reduced from the \$18.7 million, or \$1.13 per unit recorded in the previous year. Higher segment earnings in Mobile Equipment, on stronger aftermarket volumes, and in Industrial Components, on the strength of higher margins, were more than offset by the impact of lower revenue in Power Systems.
- Basic distributable cash (See Non-GAAP Measures section in MD&A) of \$1.11 per unit was lower than the \$1.17 per unit recorded last year due to the lower earnings.

- During the quarter the Fund finalized the \$1.8 million purchase of certain assets of Dan Greer Enterprises Limited ("Greer"), the JCB dealer for the Ontario area from Mississauga to Niagara Falls, including Hamilton. Greer has annual sales of approximately \$7.0 million.
- The Fund announced a \$0.01 per unit increase in monthly distributions to \$0.34 per unit (\$4.08 annualized) for the months of May, June and July, payable on June 20, 2008, July 21, 2008 and August 20, 2008 to unitholders of record on May 30, 2008, June 30, 2008 and July 31, 2008 respectively.

Commenting on the first quarter results and the outlook for 2008, Neil Manning, President and CEO, stated "Given the economic challenges in a number of sectors in the Canadian economy, we are pleased with our first quarter results. Once again, the diversity of our operations allowed us to take advantage of growth sectors, offsetting weaker performances in slower market segments. Looking forward, we anticipate that these mixed economic conditions will continue for the rest of 2008. We expect to continue to capitalize on growth spending in the oil sands, mining and infrastructure sectors along with increased revenue from our new Tigercat equipment line. As well, given recent natural gas price increases we have reason for some optimism regarding an increase in drilling activity in western Canada in the latter part of this year. However, we also anticipate continued softness in some industry segments in central and eastern Canada. As a result, we continue to expect that the Fund will enjoy another solid performance in 2008 and our confidence in the business is reflected in our decision to increase monthly distributions."

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

This news release contains forward-looking information. Please refer to the "Forward-Looking Statements" section in the accompanying Management Discussion and Analysis.

Management's Discussion and Analysis – Q1 2008

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 March 31, 2008. 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 March 31, 2008, 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 May 7, 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 interim 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 interim Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Fund has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Fund is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. The Fund has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Fund's internal control over financial reporting that occurred during the first quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Wajax Income Fund Overview

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

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

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

The Fund's strategy is to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining the Fund's strong balance sheet. Revenue growth will be achieved through market share gains, new geographic territories and the addition of new complementary product lines either organically or through acquisitions. Specific initiatives are discussed in each of the segment analyses.

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 March 31	2008	2007
Revenue	\$285.7	\$302.3
Gross profit	\$67.6	\$69.5
Selling and administrative expenses	\$48.1	\$49.1
Earnings from operations before interest and income taxes	\$19.5	\$20.4
Interest expense	\$1.0	\$1.3
Income tax expense	\$0.4	\$0.3
Net earnings	\$18.1	\$18.7
Distributable cash (1)	\$18.4	\$19.4
Cash distributions declared	\$16.4	\$15.9
Distributions paid		
- Monthly	\$16.4	\$15.9
- Special	\$7.8	\$18.6
Earnings per unit		
- Basic	\$1.09	\$1.13
- Diluted	\$1.08	\$1.12
Distributable cash per unit (1)		
- Basic ⁽²⁾	\$1.11	\$1.17
- Diluted	\$1.10	\$1.16
Cash distributions declared per unit (2)	\$0.99	\$0.96
Distributions paid per unit (2)		
- Monthly	\$0.99	\$0.96
- Special	\$0.47	\$1.12

(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.

Revenue

Revenue in the first quarter of 2008 decreased \$16.6 million to \$285.7 million from \$302.3 million in 2007. The stronger Canadian dollar relative to the U.S. dollar had the effect of decreasing 2008 consolidated quarterly revenue by approximately \$21.6 million, or 7%, as the Fund realized lower sales dollars per unit on U.S. sourced

products. Segment revenue increased 1% in Mobile Equipment while revenue fell 6% and 18% in Industrial Components and Power Systems, respectively.

Gross profit

Gross profit in the first quarter of 2008 decreased \$1.9 million due to a reclassification of \$1.5 million of selling and administrative expenses to cost of goods sold, resulting from adoption of the new CICA Handbook Section 3031, Inventories, effective January 1, 2008 without restatement of 2007 results (“the new inventory accounting standard”), and the negative impact of lower volumes. Excluding the impact of the new inventory accounting standard, the gross profit margin percentage increased to 24.2% in 2008 from 23.0% in 2007 due to a higher proportion of higher margin parts and service volumes compared to last year.

Selling and administrative expenses

Selling and administrative expenses decreased \$1.0 million in the quarter due to a reclassification of \$1.6 million of overhead costs to cost of goods sold (\$1.5 million) and work in process (\$0.1 million), resulting from adoption of the new inventory accounting standard, offset by higher expenses in Mobile Equipment and Industrial Components. Excluding the impact of adoption of the new inventory accounting standard, selling and administrative expenses as a percentage of revenue increased to 17.4% in 2008 from 16.2% in 2007.

Interest expense

Quarterly interest expense of \$1.0 million decreased \$0.3 million due mainly to lower interest rates, and lower amortization of deferred financing costs compared to last year.

Income tax expense

The effective income tax rate of 2.0% for the quarter increased slightly from 1.7% the previous year.

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 March 31, 2008.

Net earnings

Quarterly net earnings of \$18.1 million, or \$1.09 per unit, decreased \$0.6 million from \$18.7 million, or \$1.13 per unit, in 2007. Net earnings includes \$0.1 million of income after tax, resulting from adoption of the new inventory accounting standard. Please see Changes in Accounting Policy – Inventories section of this MD&A for further details. Excluding the impact of adoption of the new inventory accounting standard, net earnings decreased \$0.7 million as the negative impact of lower volumes and higher selling and administrative and income tax expenses more than offset the benefit of lower interest costs compared to last year.

Comprehensive income

Comprehensive income for the quarter of \$17.6 million decreased \$0.9 million from \$18.5 million the previous year due mainly to a \$0.7 million decrease in net earnings and \$0.2 million increase in other comprehensive loss to \$0.4 million in 2008 from \$0.2 million in 2007.

Funded net debt

Funded debt net of cash (“funded net debt”) of \$94.7 million increased \$33.9 million compared to December 31, 2007 as first quarter cash flows from operations of \$19.5 million were more than offset by: a \$24.6 million increase in non-cash working capital, cash distributions of \$24.2 million and capital spending of \$4.6 million. Capital spending included the acquisition of certain assets of Dan Greer Enterprises Ltd. (“Greer”), the JCB dealer located in Stoney Creek, Ontario for \$1.8 million.

Compared to March 31, 2007 funded net debt decreased \$1.9 million. The Fund's quarter-end debt-to-equity ratio of 0.47:1 at March 31, 2008 increased from last quarter's ratio of 0.31:1 and decreased slightly from last year's ratio of 0.48:1.

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

For the quarter ended March 31, 2008 distributable cash was \$18.4 million, or \$1.11 per unit, compared to \$19.4 million, or \$1.17 per unit, the previous year. The \$1.0 million decrease in distributable cash is due primarily to lower cash flows from operations before changes in non-cash working capital compared to last year. For the same period cash distributions declared were \$0.99 per unit (2007 - \$0.96 per unit).

Distributable cash in excess of cash distributions declared for the three months ended March 31, 2008 of \$2.0 million, or \$0.12 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

The monthly distributions declared for each of January, February and March were \$0.33 per unit.

On May 7, 2008 the Fund announced a \$0.01 per unit increase in monthly distributions to \$0.34 per unit (\$4.08 annualized) for the months of May, June and July, payable on June 20, 2008, July 21, 2008 and August 20, 2008 to unitholders of record on May 30, 2008, June 30, 2008 and July 31, 2008 respectively.

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 March 31	2008	2007
Equipment	\$106.1	\$108.9
Parts and service	\$47.1	\$42.7
Gross revenue	\$153.2	\$151.6
Segment earnings	\$11.4	\$11.2
Segment earnings margin	7.5%	7.4%

Revenue in the first quarter of 2008 increased \$1.6 million, or 1%, to \$153.2 million from \$151.6 million in the first quarter of 2007. The stronger Canadian dollar relative to the U.S. dollar had the effect of decreasing 2008 quarterly revenues by approximately \$14.5 million, or 10% compared to last year. Segment earnings for the quarter increased \$0.2 million to \$11.4 million compared to the first quarter of 2007. The following factors contributed to the Mobile Equipment segment's first quarter results:

- Equipment revenues decreased \$2.8 million compared to last year and included the following quarter-over-quarter variances:
 - Mining equipment revenues decreased \$1.7 million as additional deliveries of LeTourneau and Voest Alpine products were more than offset by fewer Hitachi mining equipment deliveries in western Canada.
 - Material handling equipment revenues decreased \$1.6 million due to lower used equipment volumes in all regions.
 - Forestry and construction equipment revenues increased \$1.0 million. Increases resulted from the Tigercat forestry product line introduced in December 2007, higher sales of Peterson Pacific chippers and additional new Hitachi construction and forestry equipment sales stemming from an increase in market share compared to last year. These increases were partially offset by a reduction in new JCB construction equipment sales.
 - Crane and utility equipment revenues decreased \$0.5 million as a decline in new equipment crane sales in western Canada was partially offset by improved sales to utility customers in eastern Canada compared to last year.
- Parts and service volumes increased \$4.4 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 volumes in the Ontario and western Canada forestry and construction sectors.
- Earnings increased \$0.2 million to \$11.4 million compared to last year as the benefit of higher revenues and margins were partially offset by increased selling and administrative expenses. Margins increased due to a higher percentage of parts and service volumes in 2008. Selling and administrative expenses increased \$0.6 million due principally to higher sales related costs, as the segment grows its after market business, offset partially by higher expense recoveries in all regions compared to last year.

During the quarter, the Mobile Equipment operation was awarded additional distribution rights to the Tigercat line of forestry equipment for Manitoba, Newfoundland and Prince Edward Island.

On March 17, 2008 the Fund acquired certain assets of Greer, the JCB dealer with territorial rights in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$1.8 million. Greer has annual sales of approximately \$7.0 million.

Industrial Components – Kinecor

Three months ended March 31	2008	2007
Gross revenue	\$74.9	\$80.1
Segment earnings	\$5.7	\$5.2
Segment earnings margin	7.7%	6.4%

Revenue at Kinecor of \$74.9 million decreased 6%, or \$5.2 million from \$80.1 million in the first quarter of 2007. The stronger Canadian dollar relative to the U.S. dollar had the effect of decreasing 2008 quarterly revenues by approximately \$2.0 million, or 3% compared to last year. Segment earnings increased \$0.5 million to \$5.7 million, compared to \$5.2 million the previous year. The following factors contributed to the segment's first quarter results:

- Bearings and power transmission parts sales decreased \$0.7 million compared to last year. Lower forestry sector volumes in eastern Canada and Ontario more than offset improved sales to mining customers, particularly in eastern and western Canada, and higher sales to metal processing customers compared to last year.
- Fluid power parts and service revenue declined \$4.5 million primarily as a result of reduced natural gas drilling activity in western Canada, lower sales to resellers and reduced forestry sector sales compared to last year. Offsetting these revenue declines were gains made in the industrial and agriculture markets.
- Segment earnings increased \$0.5 million to \$5.7 million compared to last year, as higher margins more than offset the negative impact of lower volumes and higher selling and administrative expenses. Margins increased due to a modification of pricing strategies, and a reduction in lower margin forestry sector volumes compared to last year. Selling and administrative expenses increased \$0.4 million compared to last year as higher personnel related costs and consulting costs associated with the new computer system conversion, more than offset a reduction in bad debt expense compared to last year.

The new computer system, currently being implemented in Kinecor, will provide additional functionality and capacity which will accommodate the segment's future growth. The system will be implemented into Kinecor's operations across Canada in four stages during 2008 and the first half of 2009.

Power Systems

Three months ended March 31	2008	2007
Equipment	\$23.9	\$36.5
Parts and service	\$34.7	\$34.9
Gross revenue	\$58.6	\$71.4
Segment earnings	\$4.9	\$6.8
Segment earnings margin	8.3%	9.5%

Revenue in the first quarter decreased 18%, or \$12.8 million, to \$58.6 million compared to \$71.4 million in 2007. The stronger Canadian dollar relative to the U.S. dollar had the effect of decreasing 2008 quarterly revenues by approximately \$5.1 million, or 7% compared to last year. Segment earnings decreased \$1.9 million to \$4.9 million in the quarter compared to the previous year. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems (“Waterous”) in western Canada was down \$9.7 million compared to last year due to a decline in equipment sales attributable to the continuing slowdown in natural gas drilling activity compared to last year. Parts and service revenues remained flat quarter-over-quarter.
- Revenue at the eastern Canada operation, DDACE Power Systems (“DDACE”) decreased \$3.1 million compared to 2007. Equipment sales decreased \$2.9 million, due principally to lower GE Energy engine sales. Parts and service revenues decreased \$0.2 million compared to last year.
- Segment earnings decreased \$1.9 million to \$4.9 million compared to last year. Excluding a \$0.1 million impact of adopting the new inventory accounting standard, earnings decreased \$2.0 million as the negative impact of lower volumes were only partially mitigated by higher margins and a slight reduction in selling and administrative expenses compared to last year. Margins increased due primarily to a higher proportion of higher margin parts and service revenues compared to last year.

Selected Quarterly Information

	2008		2007			2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$285.7	\$281.5	\$289.4	\$319.1	\$302.3	\$294.5	\$294.7	\$314.1
Net earnings from continuing operations	\$18.1	\$18.6	\$19.6	\$15.0	\$18.7	\$18.1	\$18.0	\$18.5
Net earnings from continuing operations per unit								
- Basic	\$1.09	\$1.12	\$1.18	\$0.91	\$1.13	\$1.09	\$1.09	\$1.11
- Diluted	\$1.08	\$1.11	\$1.17	\$0.90	\$1.12	\$1.08	\$1.08	\$1.11
Net earnings	\$18.1	\$18.6	\$19.6	\$15.0	\$18.7	\$19.4	\$18.0	\$18.5
Earnings per unit								
- Basic	\$1.09	\$1.12	\$1.18	\$0.91	\$1.13	\$1.17	\$1.09	\$1.11
- Diluted	\$1.08	\$1.11	\$1.17	\$0.90	\$1.12	\$1.16	\$1.08	\$1.11
Distributable cash ⁽¹⁾	\$18.4	\$19.3	\$19.6	\$15.9	\$19.4	\$18.6	\$19.4	\$17.5
Distributable cash per unit ⁽¹⁾								
- Basic	\$1.11	\$1.16	\$1.18	\$0.96	\$1.17	\$1.12	\$1.17	\$1.05

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

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 used \$9.7 million of cash in operations before financing activities in the first quarter of 2008 compared to \$5.5 million of cash generated in the first quarter of 2007. The \$15.2 million decrease in cash flows from operations before financing activities was due to an increase in non-cash working capital, higher investing activities and lower cash flows from operations before changes in non-cash working capital compared to the same period last year.

Cash used in operating activities amounted to \$5.1 million in the first quarter of 2008, with \$19.5 million of cash generated from operating earnings offset by \$24.6 million used in non-cash working capital. Significant components of the change in non-cash working capital included the following:

- Inventory increased \$11.2 million, reflecting higher inventory levels in all business segments including higher levels of JCB equipment, due in part to the Greer acquisition, and Tigercat forestry products due to introduction of the line in December 2007. In addition, work in process inventory increased \$0.5 million as a result of adoption of the new inventory accounting standard.

- Accounts receivable increased \$9.3 million as a result of higher sales in Mobile Equipment and Power Systems, and an increase in days sales outstanding in Mobile Equipment compared to the last quarter.
- Accounts payable and accrued liabilities decreased \$5.4 million in the quarter, largely due to reduced payables to a mining supplier in Mobile Equipment and the payment of prior year accrued employee incentives, offset partially by an increase in supplier payables due to higher inventory levels.
- Prepaid expenses decreased \$1.1 million as a result of a reduction in the amount of deposits with suppliers.

During the quarter the Fund invested a net amount of \$4.6 million. The investing activities included \$1.5 million of lift truck rental fleet additions, net of disposals, \$1.3 million of other various capital asset additions, net of disposals and the \$1.8 million Greer acquisition.

Funded net debt increased \$33.9 million compared to December 31, 2007 as first quarter cash flows from operations of \$19.5 million were more than offset by: a \$24.6 million increase in non-cash working capital, cash distributions of \$24.2 million and capital spending of \$4.6 million. Compared to March 31, 2007 funded net debt decreased \$1.9 million. The Fund's quarter-end debt-to-equity ratio of 0.47:1 at March 31, 2008 increased from last quarter's ratio of 0.31:1 and decreased slightly from last year's ratio of 0.48:1.

At March 31, 2008 the Fund had borrowed \$95.8 million and issued \$3.8 million of letters of credit for a total utilization of \$99.6 million of its \$175 million bank credit facility and had no utilization of its \$15 million equipment financing facility.

The Fund's \$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 March 31, 2008, the Fund had contracts outstanding to buy US\$5.7 million and €1.9 million (March 31, 2007 – to buy US\$7.3 million and €3.4 million).

Contractual Obligations

There have been no material changes to contractual obligations since December 31, 2007.

Off-Balance Sheet Financing

The Mobile Equipment segment had \$52.5 million of consigned inventory on-hand from a major manufacturer as at March 31, 2008 compared to \$63.2 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 March 31, 2008, the non-discounted operating lease commitment for the rental fleet was \$11.6 million (March 31, 2007 - \$15.9 million).

Non-GAAP Measures

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

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

"Distributable cash" and "Distributable cash per unit" should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities from continuing operations adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$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 the Distributable Cash section below for the method of calculating the Fund's "Distributable cash".

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

"Standardized distributable cash" and "Standardized distributable cash per unit" are not recognized measures under GAAP. However, "Standardized distributable cash" has been calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. While the Fund has followed the principles of this guidance, the Fund has made assumptions and judgments in determining how such guidance is to be applied. In this respect, the Fund's calculation may differ from similar calculations done by other entities. See the Standardized Distributable Cash and Reconciliation to Distributable Cash section for the method of calculating the Fund's "Standardized distributable cash".

"EBIT" is not a recognized measure under GAAP, and has been calculated as earnings before, interest and taxes and may differ from methods used by other entities.

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
January 31, 2008	February 20, 2008	\$0.33	\$5.5
February 29, 2008	March 20, 2008	0.33	5.5
March 31, 2008	April 21, 2008	0.33	5.5
Three months ended March 31, 2008		\$0.99	\$16.4

(1) See Distributable Cash section below

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 and the Fund's bank credit facilities.

On May 7, 2008 the Fund announced a \$0.01 per unit increase in monthly distributions to \$0.34 per unit (\$4.08 annualized) for the months of May, June and July, payable on June 20, 2008, July 21, 2008 and August 20, 2008 to unitholders of record on May 30, 2008, June 30, 2008 and July 31, 2008 respectively.

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		Last 12 months
	March 31, 2008	March 31, 2007	March 31, 2008
Cash flows (used in) from operating activities from continuing operations	(\$5.1)	\$8.3	\$83.9
Changes in non-cash working capital ⁽²⁾	24.6	14.4	(2.0)
Cash flows from continuing operations before changes in non-cash working capital	19.5	22.7	81.9
Entity specific adjustments ⁽³⁾ :			
Maintenance capital expenditures ^{(1) (3a)}	(2.5)	(2.2)	(11.7)
Gain on sale of land ^(3b)	-	-	2.4
Accrual for mid-term incentives ^(3c)	1.5	(0.9)	0.9
Amortization of deferred financing charges ^(3d)	(0.1)	(0.2)	(0.3)

Distributable Cash⁽¹⁾ - \$	18.4	19.4	73.2
- per unit basic	\$1.11	\$1.17	\$4.41
- per unit fully diluted	\$1.10	\$1.16	\$4.38
Distributions Declared - \$			
- Cash	16.4	15.9	72.8
- Non-cash ⁽⁴⁾	-	-	0.9
Distributions Declared - per unit			
- Cash	\$0.99	\$0.96	\$4.39
- Non-cash ⁽⁴⁾	-	-	\$0.05
Payout Ratio ⁽⁵⁾	89.1%	82.0%	99.5%

(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 March 31, 2008 distributable cash was \$18.4 million, or \$1.11 per unit, compared to \$19.4 million, or \$1.17 per unit, the previous year. The \$1.0 million decrease in distributable cash is due primarily to lower cash flows from operations before changes in non-cash working capital compared to last year. Distributions declared for the quarter ended March 31, 2008 were \$0.99 per unit (2007 - \$0.96 per unit). Distributable cash in excess of cash distributions declared for the three months ended March 31, 2008 of \$2.0 million, or \$0.12 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the twelve months ended March 31, 2008 distributable cash was \$73.2 million, or \$4.41 per unit. For the same period, cash distributions declared were \$4.39 per unit and included monthly cash distributions totaling \$3.92 per unit plus a special cash distribution of \$0.47 per unit declared in December 2007. In addition, a special non-cash distribution was declared December 31, 2007 equal to \$0.05 per unit in order to distribute the Fund's non-taxable portion of its capital gains for the year.

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 March 31, 2008, the payout ratio of cash distributions based on distributable cash was 89%, compared to 82% the previous year.

For the twelve months ended March 31, 2008, the payout ratio of cash distributions based on distributable cash was 100%. However, cash distributions included a \$0.47 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, the payout ratio was 89%.

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

(\$millions)	For the quarter ended March 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
A. Cash flows (used in) from operating activities ⁽¹⁾	(\$5.1)	\$97.3	\$56.2
B. Net earnings ⁽¹⁾	18.1	72.0	71.5
C. Distributable cash ⁽²⁾	18.4	74.1	74.0
D. Cash distributions declared	16.4	72.3	73.5
E. Excess (shortfall) of cash flows (used in) from operating activities over cash distributions declared (A – D)	(21.5)	25.0	(17.3)
F. Excess (shortfall) of net income over cash distributions declared (B – D)	1.7	(0.3)	(2.0)
G. Excess of distributable cash over cash distributions declared (C – D)	2.0	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 March 31, 2008, the \$21.5 million shortfall of cash flows used in operating activities over cash distributions declared is due primarily to an increase in non-cash working capital of \$24.6 million and other entity specific adjustments totaling \$1.4 million, less maintenance capital expenditures, net of disposals, of \$2.5 million and the \$2.0 million excess of distributable cash over cash distributions declared. The shortfall was funded through the Fund's bank credit facilities.

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 in 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 following the guidance 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		Last 12 months
	March 31, 2008	March 31, 2007	March 31, 2008
Cash flows (used in) from operating activities			
- Continuing	(\$5.1)	\$8.3	\$83.9
- Discontinued	-	(0.1)	-
A. Capital expenditure outlays ⁽³⁾	(4.9)	(3.0)	(15.3)
B. Restriction on distributions ⁽⁴⁾	-	-	-
Standardized Distributable Cash ⁽¹⁾⁽²⁾ - \$	(10.0)	5.2	68.6
- per unit basic	(\$0.60)	\$0.32	\$4.13
- per unit fully diluted	(\$0.60)	\$0.31	\$4.10
i. Capital adjustments made to reflect maintenance capital expenditures ⁽⁵⁾ :			
- Proceeds from disposals of capital expenditures	0.3	0.3	1.1
- Growth capital expenditures	1.8	-	1.8
- Rental fleet transferred to inventory	0.2	0.5	0.7
ii. Non-recurring adjustments ⁽⁶⁾ :			
- Cash flow (used in) from discontinued operations	-	0.1	-
iii. Other entity specific adjustments ⁽⁷⁾ :			
- Changes in non-cash working capital ^(7a)	24.6	14.5	(2.0)
- Gain on sale of land ^(7b)	-	-	2.4
- Accrual for mid-term incentives ^(7c)	1.5	(1.0)	0.9
- Amortization of deferred financing costs ^(7d)	(0.1)	(0.2)	(0.3)
Distributable Cash ⁽²⁾ - \$	18.4	19.4	73.2
- per unit basic	\$1.11	\$1.17	\$4.41
- per unit fully diluted	\$1.10	\$1.16	\$4.38
Distributions Declared - \$			
- Cash	16.4	15.9	72.8
- Non-cash ⁽⁸⁾	-	-	0.9
Distributions Declared - per unit			
- Cash	\$0.99	\$0.96	\$4.39
- Non-cash ⁽⁸⁾	-	-	\$0.05

Payout Ratio ⁽⁹⁾			
-	based on standardized distributable cash	Not applicable	305.8%
-	based on distributable cash	89.1%	82.0%
			106.1%
			99.5%

- (1) Standardized distributable cash is a non-GAAP measure calculated following the guidance 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 March 31, 2008 standardized distributable cash was negative \$10.0 million, or (\$0.60) per unit, compared to \$5.2 million, or \$0.32 per unit, the previous year. The \$15.2 million reduction was due primarily to the \$11.5 million increase in non-cash working capital usage.

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 140.5% and 96.8%, respectively. The difference is due primarily to changes in non-cash working capital of \$47.3 million, capital adjustments and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

Productive Capacity and Productive Capacity Management

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

Wajax operates from 103 facilities throughout Canada, of which 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 of 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 and in the first quarter of 2008. 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 March 31, 2008	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 \$465 thousand for the quarter (2007 - \$318 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, 2008. Prior periods will not be restated in accordance with the prospective application required by these standards.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosure of information regarding an entity's capital and how it is managed. It requires disclosure of an entity's objectives, policies and processes for managing capital. In addition, disclosures are to be included whether companies have complied with externally imposed capital requirements and the consequences of any non-compliance. The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

Inventories

CICA Handbook Section 3031, Inventories, changes the standards for 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. The Fund retrospectively adopted the new Inventory requirements without restatement. It reassessed the method whereby it was allocating service department overhead to cost of conversion resulting in an increase in the carrying value of work in process inventory of \$0.7 million and an adjustment of \$0.06 million (net of tax of \$0.1 million) which was recorded directly to opening retained earnings. 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.

Financial Instruments – Disclosures and Financial Instruments - Presentation

CICA Handbook Sections 3862 and 3863 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. The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. New Section 3064 provides new guidelines for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption encouraged. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Fund has decided to early adopt CICA 3064. Adoption of this standard has no impact on the recognition and measurement of amounts included in the financial statements and no additional disclosure is necessary.

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

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial

Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund has begun the process of evaluating the impact of the change to IFRS.

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 May 7, 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

Given the economic challenges in a number of sectors in the Canadian economy, management was pleased with the first quarter results. The diversity of the operations allowed the Fund to take advantage of growth sectors, offsetting weaker performances in slower market segments. Looking forward, it is anticipated that these mixed economic conditions will continue for the rest of 2008. Management expects to continue to capitalize on growth spending in the oil sands, mining and infrastructure sectors along with increased revenue from the new Tigercat equipment line. As well, given recent natural gas price increases there is reason for some optimism regarding an increase in drilling activity in western Canada in the latter part of this year. However, continued softness in some industry segments in central and eastern Canada is also anticipated. As a result, management continues to expect that the Fund will enjoy another solid performance in 2008.

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the three months ended March 31, 2008

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 Fund's auditors.

**WAJAX INCOME FUND
CONSOLIDATED BALANCE SHEETS**

(unaudited, in thousands of dollars)	March 31 2008	December 31 2007	March 31 2007
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 1,247
Accounts receivable	152,999	143,669	144,067
Inventories (note 3)	221,344	207,212	221,424
Future income taxes	1,095	1,064	3,353
Prepaid expenses and other recoverable amounts	3,717	4,799	9,716
Derivative instrument asset (note 4)	-	-	361
Discontinued operations	-	-	176
	379,155	356,744	380,344
Non-Current Assets			
Rental equipment	21,829	21,700	19,429
Property, plant and equipment	29,892	29,491	32,804
Goodwill and other assets	59,407	59,108	58,751
Future income taxes	285	269	338
	111,413	110,568	111,322
	\$ 490,568	\$ 467,312	\$ 491,666
Current Liabilities			
Bank indebtedness	\$ 1,800	\$ 6,830	\$ -
Accounts payable and accrued liabilities	183,726	188,388	181,405
Distributions payable to unitholders	5,473	13,268	5,307
Income taxes payable	1,694	1,457	2,170
Equipment notes payable	-	70	4,672
Derivative instrument liability (note 4)	857	175	-
Discontinued operations	325	347	527
	193,875	210,535	194,081
Non-Current Liabilities			
Other liabilities	199	1,716	1,087
Long-term pension liability	3,139	3,079	2,673
Long-term debt	92,949	53,879	93,203
	96,287	58,674	96,963
Unitholders' Equity			
Trust units (note 5)	104,871	104,871	104,871
Unit-based compensation (note 6)	3,372	2,907	1,883
Accumulated earnings	92,714	90,432	93,564
Accumulated other comprehensive (loss) income (notes 4)	(551)	(107)	304
	92,163	90,325	93,868
Total Unitholders' equity	200,406	198,103	200,622
	\$ 490,568	\$ 467,312	\$ 491,666

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(unaudited, in thousands of dollars, except per unit data)	Three months ended March 31	
	2008	2007
Revenue	\$ 285,731	\$ 302,312
Cost of sales	218,127	232,821
Gross profit	67,604	69,491
Selling and administrative expenses	48,143	49,111
Earnings before interest and income taxes	19,461	20,380
Interest expense	1,046	1,346
Earnings before income taxes	18,415	19,034
Income tax expense (recovery) - current	174	-
- future	190	321
Net earnings	\$ 18,051	\$ 18,713
Basic earnings per unit (note 5)	\$ 1.09	\$ 1.13
Diluted earnings per unit (note 5)	1.08	1.12
Accumulated earnings, beginning of period, as reported	90,432	90,759
Accounting change – effect of inventory adjustment (note 2)	650	-
Accumulated earnings, beginning of period, restated	91,082	90,759
Transitional adjustment	-	14
Distributions	(16,419)	(15,922)
Net earnings	18,051	18,713
Accumulated earnings, end of period	\$ 92,714	\$ 93,564

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

(unaudited, in thousands of dollars)	Three months ended March 31	
	2008	2007
Net earnings	\$ 18,051	\$ 18,713
Gains (losses) on derivative instruments designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax (note 4)	56	(130)
Losses on derivative instruments designated as cash flow hedges, net of tax (note 4)	(500)	(119)
Other comprehensive loss	(444)	(249)
Comprehensive income	\$ 17,607	\$ 18,464

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Three months ended March 31	
	2008	2007
OPERATING ACTIVITIES		
Net earnings from continuing operations	\$ 18,051	\$ 18,713
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,147	1,023
- Property, plant and equipment	945	1,116
- Intangible assets	71	180
- Deferred financing costs	70	72
Pension expense, net of payments	59	(19)
Long-term portion of mid-term incentive plan expense	(1,517)	(338)
Non-cash rental expense	12	31
Unit compensation expense (note 6)	465	318
Future income taxes	190	321
Other	2	(11)
Cash flows from continuing operations before changes in non-cash working capital	19,495	21,406
Changes in non-cash working capital		
Accounts receivable	(9,330)	1,516
Inventories	(11,177)	11,435
Prepaid expenses and other recoverable amounts	1,082	(2,265)
Accounts payable and accrued liabilities	(5,406)	(23,266)
Income taxes payable	237	(540)
	(24,594)	(13,120)
Cash flows (used in) from operating activities from continuing operations	(5,099)	8,286
INVESTING ACTIVITIES		
Rental equipment additions	(1,739)	(2,338)
Proceeds on disposal of rental equipment	269	238
Property, plant and equipment additions	(1,307)	(650)
Proceeds on disposal of property, plant and equipment	36	10
Acquisition of business (note 10)	(1,824)	-
	(4,565)	(2,740)
Cash flows (used in) from continuing operations before financing activities	(9,664)	5,546
FINANCING ACTIVITIES		
Increase in long-term bank debt	39,000	34,000
(Decrease) increase in equipment notes payable	(70)	1,938
Distributions paid (note 8)	(24,214)	(34,498)
	14,716	1,440
Net change in cash and cash equivalents before discontinued operations	\$ 5,052	\$ 6,986
Cash and cash equivalents used in discontinued operations	(22)	(71)
Bank indebtedness - beginning of period	(6,830)	(5,668)
(Bank indebtedness) cash and cash equivalents - end of period	\$ (1,800)	\$ 1,247
Cash flows from operating activities from continuing operations include the following:		
Interest paid	\$ 974	\$ 1,228
Income tax paid	\$ -	\$ 517
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 194	\$ 541

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, 2007. 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

Effective January 1, 2008, the Fund adopted the following standards:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosure of information regarding an entity's capital and how it is managed. It requires disclosure of an entity's objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and the consequences of any non-compliance. These new disclosures are included in note 12.

The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

Inventories

Handbook Section 3031, Inventories, changes the standards for 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.

The Fund retrospectively adopted the new Inventory requirements without restatement. It reassessed the method whereby it was allocating service department overhead to cost of conversion resulting in an increase in the carrying value of work in process inventory of \$0.7 million and an adjustment of \$0.6 million (net of tax of \$0.1 million) which was recorded directly to opening retained earnings.

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. These new disclosures are included in note 3.

Financial Instruments – Disclosures and Financial Instruments – Presentation

Handbook Sections 3862 and 3863 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. These new disclosures are included in note 9.

The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. New Section 3064 provides new guidelines for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption encouraged. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset.

The Fund has decided to early adopt CICA 3064. Adoption of this standard has no impact on the recognition and measurement of amounts included in the financial statements and no additional disclosure is necessary.

New Standards Issued but not yet Effective

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund has begun the process of evaluating the impact of the change to IFRS.

Note 3 Inventories

Inventories are valued at the lower of cost and estimated net realizable value.

Cost of equipment and parts include purchase cost, conversion cost and cost incurred in bringing inventory to its present location and condition.

Cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity.

Cost of inventories includes the associated gains or losses transferred from accumulated comprehensive income relating to forward contracts hedging the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of sale.

	Cost Formula	March 31 2008	December 31 2007	March 31 2007
Equipment	Specific item	\$ 107,075	\$ 102,245	\$ 110,467
Parts	Weighted average	93,691	89,893	94,476
Work in process	Specific item	20,578	15,074	16,481
Total inventories		\$ 221,344	\$ 207,212	\$ 221,424

All amounts shown are net of applicable reserves.

The Fund recognized \$212.4 million of inventory as an expense which is included in cost of goods sold during the quarter (2007 - \$226.8 million). During the quarter \$1.0 million was recorded in cost of goods sold for the write-down of inventory to estimated net realizable value (2007 - \$0.8 million).

Note 4 Accumulated other comprehensive (loss) income

During the quarter ending March 31, 2008, \$61 (\$56 – net of tax) of gains 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 March 31, 2008 resulted in a net loss of \$ 444. There was no ineffective portion of the outstanding contracts recognized in earnings and the remaining effective portion, a loss of \$743 (\$500 – net of tax) was recorded in other comprehensive income.

As at March 31, 2008, the cash flow hedge derivative contracts had a negative fair value of \$551 and are recorded in accumulated other comprehensive loss on the consolidated balance sheet.

	Three months ended March 31	
	2008	2007
Balance beginning of period	\$ (107)	\$ -
Transitional amount for new accounting guidelines January 1, 2007, net of tax of \$59	-	553
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax of \$5 (2007 - \$13)	56	(130)
Losses on derivatives designated as cash flow hedges, net of tax of \$243 (2007 - \$90)	(500)	(119)
Accumulated other comprehensive (loss) income	\$ (551)	\$ 304

Note 5 Earnings per unit

At the end of the quarter the number of trust units outstanding was 16,585,206 (2007 – 16,585,206). There were 87,781 rights outstanding under the Wajax Unit Ownership Plan (“UOP”) (2007 – 74,608) and 59,297 rights outstanding under the Trustees’ Deferred Unit Plan (“TDUP”) (2007 – 40,052). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

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

	Three months ended March 31	
	2008	2007
Numerator for basic and diluted earnings per unit:		
– net earnings	\$ 18,051	\$ 18,713
Denominator for basic earnings per unit:		
– weighted average units	16,585,206	16,585,206

Denominator for diluted earnings per unit:		
– weighted average units	16,585,206	16,585,206
– effect of dilutive unit rights	140,613	109,305
Denominator for diluted earnings per unit	16,725,819	16,694,511
Basic earnings per unit	\$ 1.09	\$ 1.13
Diluted earnings per unit	\$ 1.08	\$ 1.12

Note 6 Unit-based compensation plans

The Fund has three unit-based compensation plans: the UOP, the 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 4,552 rights (2007 – 4,391) were granted under the UOP and 6,229 rights (2007 – 5,066) were granted under the TDUP.

The Fund recorded compensation cost of \$465 for the quarter (2007 – \$318) in respect of unit rights plans and \$514 for the quarter (2007 – \$183) in respect of the unit based MTIP.

Note 7 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 the proportion of Fund income taxed directly to the unitholders that is expected to reverse in or after 2011.

Note 8 Distributions paid

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

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

Note 9 Financial instruments

The Fund categorizes its financial assets and financial liabilities as follows:

	March 31 2008	December 31 2007	March 31 2007
Held for trading			
Cash and cash equivalents	\$ -	\$ -	1,247
Bank indebtedness	(1,800)	(6,830)	-
Loans and receivables			
Accounts receivable	152,999	143,669	144,067
Other financial liabilities			
Accounts payable and accrued liabilities	(183,726)	(188,388)	(181,405)
Distributions payable to unitholders	(5,473)	(13,268)	(5,307)
Equipment notes payable	-	(70)	(4,672)
Other liabilities	(199)	(1,716)	(1,087)
Long-term debt	(92,949)	(53,879)	(93,203)
Derivatives designated as effective hedges			
Derivative instrument asset (liability)	(857)	(175)	361

The Fund measures financial instruments held for trading at fair value with subsequent changes in fair value being charged to earnings. Loans and receivables and other financial liabilities are measured at amortized cost with subsequent changes in fair value being charged to earnings and derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. All held for trading assets and liabilities were designated as such upon initial recognition. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values.

Credit risk

The Fund is exposed to non-performance by counterparties to interest rate swaps and short-term currency forward contracts. These counterparties are large financial institutions with "Stable" outlook and high short-term and long-term credit ratings from Standard and Poor's. To date, no such counterparty has failed to meet its financial obligations to the Fund. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

The Fund is also exposed to credit risk with respect to its accounts receivable. This risk is somewhat minimized by the Fund's large customer base which covers most business sectors across Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund's accounts receivables are made up of trade accounts receivables from customers and other accounts receivables generally from suppliers for warranty and rebates. The aging of the trade accounts receivable is:

	March 31 2008	December 31 2007	March 31 2007
Current	\$ 80,870	\$ 70,268	\$ 81,326
Less than 60 days overdue	44,413	46,793	39,703
More than 60 days overdue	6,857	5,040	3,953
Total trade accounts receivable	\$ 132,140	122,101	124,982

The carrying amounts of accounts receivable and derivative instrument liability represent the maximum credit exposure.

The Fund maintains provisions for possible credit losses by performing an analysis of specific accounts. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

	March 31 2008	December 31 2007	March 31 2007
Opening balance	\$ 2,388	\$ 2,364	\$ 2,030
Increase (decrease) during the period	(558)	24	97
Closing balance	\$ 1,830	\$ 2,388	\$ 2,127

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. The contractual maturity of long term debt is December 31, 2011. At March 31, 2008 the Fund had borrowed \$95.8million and issued \$3.8 million of letters of credit for a total utilization of \$99.6 million of its \$175 million bank credit facility and had not utilized any of its \$15 million equipment financing facility.

The Fund's \$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 or reduce distributions in order to fund significant acquisitions and growth related working capital and capital expenditures.

Financial risk management policy

The Fund has in place a financial risk management policy that addresses the Fund's financial exposure to currency risk and interest rate risk. The Fund's tolerance to interest rate risk decreases as the percentage of debt to tangible net worth increases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the percentage of debt to tangible net worth increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments. Derivative instruments are used only to hedge risks as determined within these policy guidelines.

Currency risk

The Fund's operating results are reported in Canadian dollars. While the Fund's sales are primarily denominated in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on the Fund's revenues, margins and working capital balances. 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 April 2008 and January 2009, with rates from \$US 0.9845 to \$US 1.0300 and €1.4934 to €1.6200. As at March 31, 2008, the Fund had contracts outstanding to buy US\$5.7 million and €1.9 million (March 31, 2007 – to buy US\$7.3 million and €3.4 million). The Fund will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods.

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

The Fund maintains a conservative hedging policy whereby all significant transactional currency risks are identified and hedged. As such there is not a material currency transaction exposure.

Interest rate risk

The Fund's borrowing costs are impacted by changes in interest rates. In order to manage this risk to an acceptable level the Fund entered into interest rate swap contracts and delayed start interest rate swap contracts with its lenders such that the interest rate on the \$30 million non-revolving term portion of the bank credit facility is effectively fixed at 3.47% plus applicable margins until June 7, 2008 and at 4.60% plus applicable margins from June 7, 2008 until December 31, 2011.

A 0.75 percentage point decrease in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period would, all things being equal, have resulted in an insignificant increase to earnings before income taxes and an increase to other comprehensive income of \$1.0 million for the period as a result of the change in fair values of the interest rate swaps. The magnitude of the impact on earnings before income taxes and other comprehensive income is the same whether interest rates increase or decrease.

Note 10 Acquisition of business

On March 17, 2008 the Fund acquired certain assets of Dan Greer Enterprises Limited ("Greer"), the JCB dealer in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$1.8 million. Greer has annual sales of approximately \$7.0 million.

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

Note 11 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended March 31	
	2008	2007
Net pension plan expense – defined benefit plans	\$ 201	\$ 182
Net pension plan expense – defined contribution plans	1,285	1,358
	\$ 1,486	\$ 1,540

Note 12 Capital Management

Objective

The Fund defines its capital as the total of its unitholders' equity and interest bearing debt. The Fund's objective when managing capital is to have a capital structure and capacity to support the Fund's operations and strategic objectives set by the Board of Trustees.

Management of Capital

The Fund's capital structure is managed such that it maintains a relatively low leverage ratio of interest bearing debt to earnings before interest, taxes, depreciation and amortization ("Leverage Ratio") as the Fund distributes a significant portion of its cash flow from operations before changes in working capital.

The Fund's level of interest bearing debt is determined by a combination of the Fund's cash flow required to meet its strategic objectives and the value of its tangible assets.

The amount of the Fund's unitholders' equity generally remains unchanged as income from the business is expected to equal the amount of distributions paid to unitholders over time.

Management believes the Fund currently has adequate capital through available debt facilities, however the Fund would have to access the equity or debt markets if significant growth capital was required.

There were no changes in the Fund's approach to capital management during the period.

The Fund will review its level of interest bearing debt and unitholders' equity in the context of the changes in taxation of publicly traded income trusts that will impact the Fund commencing 2011 or before, should the Fund's capital grow 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 March 31, 2008.

Restrictions on Capital

The Fund's interest bearing debt includes a \$175 million bank credit facility which expires December 31, 2011 and a \$15 million demand wholesale financing facility. The bank credit facility contains the following covenants:

Borrowing capacity is dependent upon the level of the Fund's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). The Fund's borrowing capacity under the bank credit facility at March 31, 2008 was restricted to the Fund's borrowing base of \$171.2 million.

The Fund's ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense (the "Interest Coverage Ratio") must not be lower than four times. As at March 31, 2008 the Fund's Interest Coverage Ratio was 19.44 times.

The Fund will be restricted from the payment of monthly cash distributions in the event the Fund's Leverage Ratio (interest bearing debt to EBITDA) exceeds three times. In addition, monthly cash distributions in each fiscal quarter may not exceed 115% of the distributable cash flow (as defined in the credit facility) for the trailing four fiscal quarters. As at March 31, 2008 the Fund's Leverage Ratio was 1.08 times and there were no restrictions on the payment of monthly cash distributions.

Note 13 Segmented information

	Three months ended March 31	
	2008	2007
Revenue		
Mobile Equipment	\$ 153,201	\$ 151,572
Industrial Components	74,931	80,069
Power Systems	58,621	71,402
Segment eliminations	(1,022)	(731)
	\$ 285,731	\$ 302,312
Segment Earnings		
Mobile Equipment	\$ 11,428	\$ 11,159
Industrial Components	5,736	5,163
Power Systems	4,851	6,770
Corporate costs and eliminations	(2,554)	(2,712)
	\$ 19,461	\$ 20,380

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

Note 14 Comparative information

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