



Moving Forward

Building on a Strong Legacy

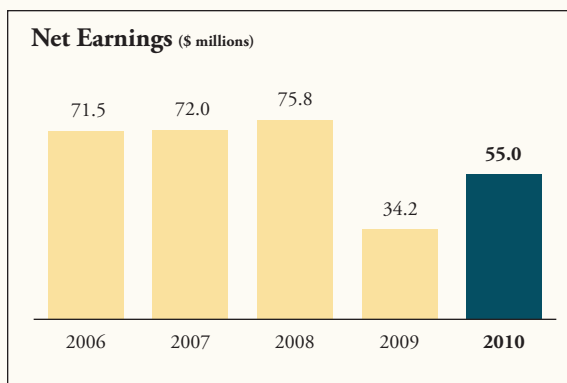
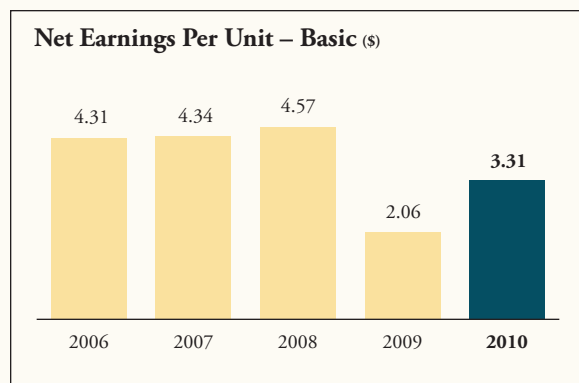
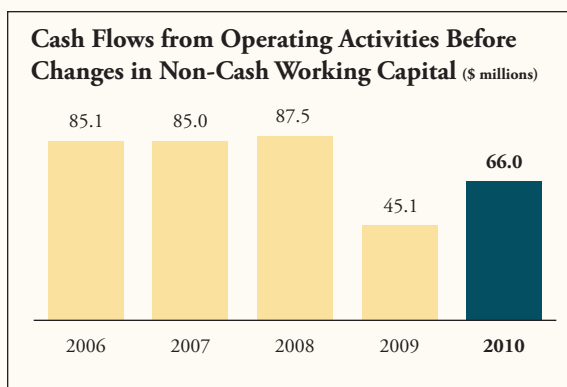
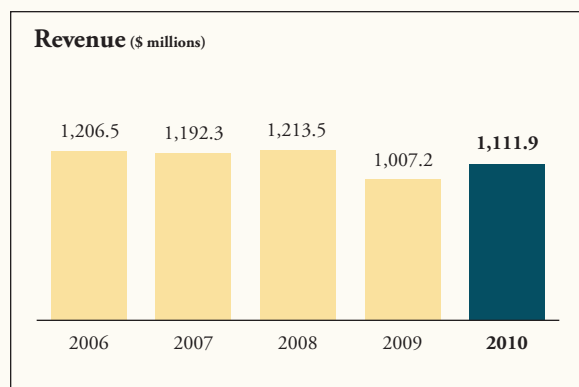
Annual Report 2010



Financial Highlights

Wajax 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, Wajax has three distinct business divisions, which operate through a network of 108 branches across Canada. The organization's customer base covers core sectors of the Canadian economy – mining, oil and gas, forestry, construction, manufacturing, industrial processing, transportation and utilities.

For the years ended December 31 (\$ thousands, except per unit data)	2010	2009	2008
Revenue	\$ 1,111,866	\$ 1,007,201	\$ 1,213,475
Net earnings	55,019	34,229	75,822
Cash flows from operating activities before changes in non-cash working capital	66,029	45,061	87,461
Working capital, exclusive of funded debt and cash	119,457	150,925	203,165
Funded debt, net of cash	36,726	70,254	120,480
Unitholders' equity	200,689	200,361	205,693
Net earnings per unit – basic	3.31	2.06	4.57
Distributable cash per unit – basic	3.28	2.55	4.64
Cash distributions declared	3.40	2.47	4.13
Debt to equity	0.18:1	0.35:1	0.59:1
Weighted average number of units outstanding	16,613,676	16,596,853	16,585,206



Wajax at a Glance

Overview	2010 Sales by Region	2010 Sales by Market																										
<ul style="list-style-type: none"> Wajax has three distinct divisions, which operate through a network of 108 branches across Canada. Wajax is a multi-line distributor and each of its divisions represents a number of leading worldwide manufacturers. Our customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities. 	<table border="1"> <tr> <td>Western Canada</td> <td>49%</td> </tr> <tr> <td>Eastern Canada</td> <td>34%</td> </tr> <tr> <td>Ontario</td> <td>17%</td> </tr> </table>	Western Canada	49%	Eastern Canada	34%	Ontario	17%	<table border="1"> <tr><td>Industrial/Commercial</td><td>16%</td></tr> <tr><td>Mining</td><td>13%</td></tr> <tr><td>Oil Sands</td><td>12%</td></tr> <tr><td>Construction</td><td>10%</td></tr> <tr><td>Oil and Gas</td><td>10%</td></tr> <tr><td>Transportation</td><td>10%</td></tr> <tr><td>Forestry</td><td>10%</td></tr> <tr><td>Government & Utilities</td><td>7%</td></tr> <tr><td>Metal Processing</td><td>5%</td></tr> <tr><td>Other</td><td>7%</td></tr> </table>	Industrial/Commercial	16%	Mining	13%	Oil Sands	12%	Construction	10%	Oil and Gas	10%	Transportation	10%	Forestry	10%	Government & Utilities	7%	Metal Processing	5%	Other	7%
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Division Overview		2010 Division Revenue																										
Mobile Equipment		By Product Type																										
<ul style="list-style-type: none"> The largest, multi-line distributor of mobile equipment in Canada. <ul style="list-style-type: none"> 31 branches 923 employees 50% of total revenue and 55% of earnings before interest and taxes Business: Distribute, customize and service mobile equipment from leading manufacturers. Operating Unit: Wajax Industries 	<ul style="list-style-type: none"> Products: Container handlers, Loader backhoes, Cranes (including crawler and rough terrain cranes), Mining trucks and shovels, Shuttle cars and continuous miners, Excavators, Forest harvesting equipment, Skid steer loaders, Utility equipment, Lift trucks, Wheel loaders Markets: Construction, Materials handling, Forestry, Mining, Government, Oil & gas, Intermodal, Utilities, Manufacturing 	<table border="1"> <tr><td>Construction</td><td>30%</td></tr> <tr><td>Mining/Oil & Gas</td><td>30%</td></tr> <tr><td>Material Handling</td><td>17%</td></tr> <tr><td>Forestry</td><td>12%</td></tr> <tr><td>Crane & Utility</td><td>11%</td></tr> </table>	Construction	30%	Mining/Oil & Gas	30%	Material Handling	17%	Forestry	12%	Crane & Utility	11%																
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Industrial Components		By Market																										
<ul style="list-style-type: none"> A leading distributor in Canada for the products Kinacor sells. <ul style="list-style-type: none"> 58 branches 754 employees 27% of total revenue and 17% of earnings before interest and taxes Business: Distribute and provide service and repairs for bearings, power transmission parts, hydraulics, process equipment and automation technologies. Operating units: Kinacor, Peacock 	<ul style="list-style-type: none"> Products: Bearings, Motors, Cylinders, Power transmission parts, Filters, Hoists, Process pumps & equipment, Hoses & fittings, Hydraulic components & systems Markets: Agriculture, Metal processing, Construction, Mining, Food processing, Oil & gas, Forestry, Resellers/Distributors, Transportation, Industrial/Commercial 	<table border="1"> <tr><td>Industrial/Manufacturing</td><td>17%</td></tr> <tr><td>Forestry</td><td>15%</td></tr> <tr><td>Mining</td><td>14%</td></tr> <tr><td>Metal Processing</td><td>12%</td></tr> <tr><td>Conventional Oil & Gas</td><td>10%</td></tr> <tr><td>Construction</td><td>7%</td></tr> <tr><td>Transportation</td><td>5%</td></tr> <tr><td>Food & Beverage</td><td>5%</td></tr> <tr><td>Other</td><td>15%</td></tr> </table>	Industrial/Manufacturing	17%	Forestry	15%	Mining	14%	Metal Processing	12%	Conventional Oil & Gas	10%	Construction	7%	Transportation	5%	Food & Beverage	5%	Other	15%								
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Power Systems		By Market																										
<ul style="list-style-type: none"> One of the largest distributors of diesel engines and transmissions in Canada. <ul style="list-style-type: none"> 19 branches 684 employees 23% of total revenue and 28% of earnings before interest and taxes Business: Distribute and provide parts and service for Detroit Diesel and MTU engines, Allison transmissions, MTU/DDC power generators, G.E. Energy co-generation systems and complementary product lines, and custom-assembled power generation sets. Other products are distributed by DDACE in eastern Canada only. Operating units: Waterous Power Systems, DDACE Power Systems 	<ul style="list-style-type: none"> Products: Diesel engines, Power take-offs, Natural gas engines, Transmissions, Power generators Markets: Agriculture, Military, Construction, Mining, Forestry, Oil & gas, Industrial/Commercial, Transportation, Utilities, Marine 	<table border="1"> <tr><td>Conventional Oil & Gas</td><td>27%</td></tr> <tr><td>On-Highway Transportation</td><td>25%</td></tr> <tr><td>Industrial/Commercial</td><td>24%</td></tr> <tr><td>Oil Sands</td><td>7%</td></tr> <tr><td>Mining</td><td>3%</td></tr> <tr><td>Other</td><td>14%</td></tr> </table>	Conventional Oil & Gas	27%	On-Highway Transportation	25%	Industrial/Commercial	24%	Oil Sands	7%	Mining	3%	Other	14%														
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Message to Our Shareholders

Wajax Income Fund's 2010 Year in Review

Financial results achieved in 2010 exceeded our expectations as the recovery from the recession has been more robust than we anticipated at the outset of the year.

Revenues rose to \$1.1 billion from \$1.0 billion, a year-over-year increase of 10%. Net earnings grew by 61% to \$55.0 million or \$3.31 per unit, compared to \$34.2 million or \$2.06 per unit the year before. In this, our last year as an income fund, we paid cash distributions to unitholders totalling \$3.40 per unit.

The Fund's revenue gains were attributable in part to a general uplift in the Canadian economy, as well as to increases in demand in the mining sector across the country and in the energy sector in western Canada. Encouragingly, product and product support sales grew increasingly stronger as the year progressed.

In addition to revenue growth, the increase in 2010 earnings was also attributable to cost reduction measures that were taken at the outset of the economic crisis in 2008, as well as throughout 2009. Such actions included the reduction of our workforce by nearly 15% during the period. While we have added to our personnel complement throughout 2010 due to the increase in business activity, we continue to operate with a lower headcount compared to pre-recession levels. As a result, we continue to have significant earnings leverage to revenue increases.

Each of our business units performed well and contributed to the overall increase in consolidated 2010 earnings. Mobile Equipment posted a 25% increase in segment earnings with an 11% growth in revenue. Industrial Components and Power Systems more than doubled their respective 2009 earnings on sales increases of 8% and 13% respectively. Gross margin percentages improved in all three businesses which also contributed to significantly higher segment earnings.

Conversion

In May, Wajax unitholders approved a Plan of Arrangement under the Canada Business Corporations Act to convert the Fund into a corporation. The recommendation to proceed with

the conversion was primarily based on changes to income tax laws which effectively would have subjected the Fund to tax as if it was a corporation beginning in 2011. The conversion was completed as of January 1, 2011 and unitholders automatically received one common share of Wajax Corporation in exchange for each unit of the Fund. The shares of the Corporation began trading on the Toronto Exchange on January 4, 2011 under the symbol WJX.

As an income fund, Wajax has very generously rewarded its investors. Fund units opened for trading on the Toronto Exchange on June 15, 2005 at a price of \$19.40. The final closing price for Fund units on December 31, 2010, the day before units were exchanged for shares of Wajax Corporation, was \$36.84. Over this period of slightly more than five and one-half years, the Fund also paid cash distributions of \$20.68 per unit. The total return to a unitholder who purchased units at the open of trading on June 15, 2005 and stayed invested in the Fund to the end of 2010, has been 196.5%, including capital gains and cash distributions.

As a taxable entity, it may be more difficult for Wajax Corporation to achieve returns of similar magnitude in the next five years. However, it is important to emphasize that the conversion will not change the fundamental business model that has produced rewarding results for Fund investors. We will continue to operate as a business with low ongoing capital requirements relative to its abilities to generate cash. The Corporation will maintain its focus on operational excellence and profitable growth across its three core businesses and we remain committed to paying, on a monthly basis, a high percentage of earnings as tax-advantaged eligible dividends. Our strategy of growing earnings in all segments through increased revenue and improved operating margins, while maintaining a strong balance sheet, will be unaffected by the conversion.

2011

Although there remains uncertainty about the strength of the world economy, an economic recovery appears to be slowly building. Canada is well positioned with its resource base to participate in the global demand for commodities, including energy. Wajax should benefit as the business activities of our operating units are heavily weighted to the Canadian resource industry, including the energy sector of western Canada.

Separately, each business unit is implementing strategies to promote market share, revenue and earnings growth.

In the Mobile Equipment business, initiatives will centre on building market share of the key product lines that we represent by enhancing equipment and parts inventory availability, improving branch coverage in key metropolitan areas and by revamping our sales training, compensation and performance management practices.

In Industrial Components, we have reorganized the business, moving from a geographic focus to a more centralized structure focused on function and product lines. In this division, there is a large technical element and expertise, including design and assembly of engineered systems in the fluid power and process equipment markets in particular. We have concluded the consolidation of our process and engineering groups and are now marketing these higher margin, value-added engineering and technical services to customers.

In the Power Systems segment, we see growth opportunities in off-highway product categories including electrical power generation and mechanical drive systems. In the turnkey power generation rental market, our Waterous Power Systems group has expanded the division's generator package rental fleet and recently started to supply oilfield skid and trailer mounted generators and related service equipment in western Canada. With the implementation of the foregoing growth initiatives, together with the cost structure actions we have taken in the past two years, further operational improvements and a sound capital structure, we are confident in our ability to continue to deliver a sustainable and competitive return on investment to the shareholders of Wajax Corporation.



Paul E. Gagné
Chairman of the Board



Neil D. Manning
President and Chief Executive Officer

Empire Secondary Offering/Shareholder Rights Plan

A development which also deserves mention occurred in October when Empire Company Limited sold its 27.6% investment in the Fund through a secondary offering. Empire decided to monetize its Wajax investment to focus capital and resources on its core operating businesses. Although we regret the loss of Empire, which has been a supportive shareholder for more than 25 years, the enhanced liquidity resulting from the sale of this block should be positive and will increase the opportunity for new shareholders to invest in Wajax.

As ownership of Wajax is now more widely held, the Board of Directors adopted a Shareholder Rights Plan effective January 4, 2011. Although not aware of any pending or proposed take-over bid, the Board determined it would be prudent to implement such a plan at this time. The Plan will be subject to ratification at the annual general meeting of shareholders to be held on May 10, 2011.

Acknowledgements

On completion of the Empire Company secondary offering, Frank Sobey resigned from the Board. Frank served Wajax and its shareholders with diligence for 17 years and we thank him for his service and contributions.

We also owe a debt of gratitude to our employees for their commitment to our continued success by helping us to weather the difficult conditions of the past two years and to the engagement of our Board of Directors throughout the period.



Paul E. Gagné
Chairman of the Board



Neil D. Manning
President and
Chief Executive Officer

February 25, 2011

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") provides a review of the consolidated financial condition and results of operations of Wajax Income Fund (the "Fund" or "Wajax") for the year ended December 31, 2010. The following discussion should be read in conjunction with the Fund's annual Audited Consolidated Financial Statements and accompanying notes. Information contained in this MD&A is based on information available to management as of February 25, 2011.

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

Pursuant to a Plan of Arrangement approved by unitholders of Wajax Income Fund on May 7, 2010, the Fund was converted on January 1, 2011 from an open-ended income trust to Wajax Corporation. For ease of reference, the use of "Wajax" throughout this MD&A refers to Wajax Corporation from and after January 1, 2011 and to the Fund for the period prior thereto. See Wajax Income Fund Overview and Conversion to Corporate Structure section.

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

Responsibility of Management and the Board of Directors

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. Wajax's Board of Directors has approved this MD&A and the annual Audited Consolidated Financial Statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax, and has reviewed this MD&A and the annual Audited Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). DC&P are designed to provide reasonable assurance that information required to be disclosed by Wajax 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. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. ICFR 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, 2010 Wajax's management, under the supervision of its CEO and CFO has completed an assessment of the design of DC&P and ICFR. 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 technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year Wajax's management, under the supervision of its CEO and CFO, has evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation includes a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR are effective as at December 31, 2010.

There has been no change in Wajax's ICFR that occurred during the fourth quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Wajax Income Fund Overview and Conversion to Corporate Structure

As at December 31, 2010 the Fund was 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.

On May 7, 2010, unitholders approved the conversion of the Fund to a corporation pursuant to a plan of arrangement under the Canada Business Corporations Act ("CBCA") effective January 1, 2011. The arrangement resulted in the reorganization of the Fund into a corporate structure and unitholders automatically received one common share of Wajax Corporation for each unit of the Fund held. The shares of Wajax Corporation began trading on the Toronto Exchange on January 4, 2011 under the symbol WJX. Wajax Corporation will continue to be managed by the existing management team.

Wajax Corporation intends to declare and pay a high proportion of net earnings in the form of monthly dividends. Dividends, at the discretion of the Board of Directors, will generally be payable to shareholders 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 ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. See the Forward-Looking Information and Risks and Uncertainties sections.

Wajax's core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 108 branches across Canada. Wajax is a multi-line distributor and represents a number of leading worldwide manufacturers in its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax's strategy is to continue to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining a strong balance sheet. Revenue growth will be achieved through market share gains, expansion into new geographic territories and the addition of new complementary product lines either organically or through acquisitions.

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. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of Wajax. Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no

assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting Wajax and its business operations, changes in taxation of Wajax, general business conditions and economic conditions in the markets in which Wajax and its customers compete, fluctuations in commodity prices, Wajax's relationship with its suppliers and manufacturers and its access to quality products, the ability of Wajax to maintain and expand its customer base, actual future market conditions being different than anticipated by management and the Board of Directors of Wajax, and actual future operating and financial results of Wajax being different than anticipated by management and the Board of Directors of Wajax. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by Wajax with Canadian securities regulators and available at www.sedar.com. See also the full details of the conversion included in the Management Information Circular for the Fund's unitholder meeting held on May 7, 2010 and which is available at www.sedar.com. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and Wajax does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Consolidated Results

Year ended December 31

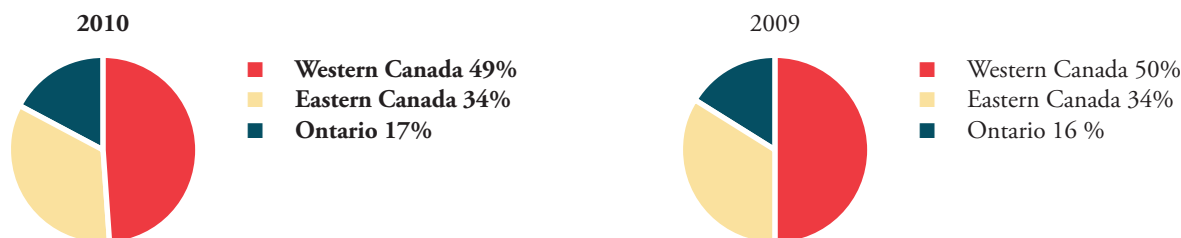
	2010	2009 ⁽³⁾
Revenue	\$ 1,111.9	\$ 1,007.2
Gross profit	\$ 237.5	\$ 202.6
Selling and administrative expenses	\$ 181.1	\$ 165.9
Earnings before interest and income taxes	\$ 56.4	\$ 36.7
Interest expense	\$ 4.1	\$ 4.5
Income tax recovery	\$ (2.7)	\$ (2.0)
Net earnings	\$ 55.0	\$ 34.2
Distributable cash ⁽¹⁾	\$ 54.5	\$ 42.3
Cash distributions declared	\$ 56.5	\$ 41.0
Distributions paid	\$ 46.5	\$ 44.5
Earnings per unit		
Basic	\$ 3.31	\$ 2.06
Diluted	\$ 3.26	\$ 2.04
Distributable cash per unit ⁽¹⁾		
Basic ⁽²⁾	\$ 3.28	\$ 2.55
Diluted	\$ 3.23	\$ 2.52
Cash distributions declared per unit ⁽²⁾	\$ 3.40	\$ 2.47
Distributions paid per unit ⁽²⁾	\$ 2.80	\$ 2.68

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

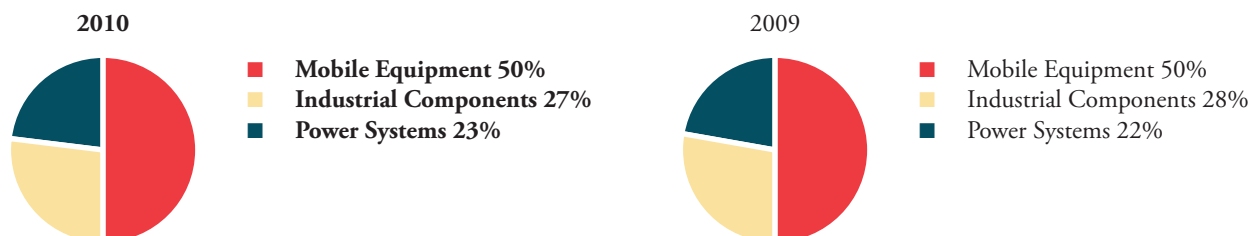
(2) Based on actual number of units outstanding on the relevant record date.

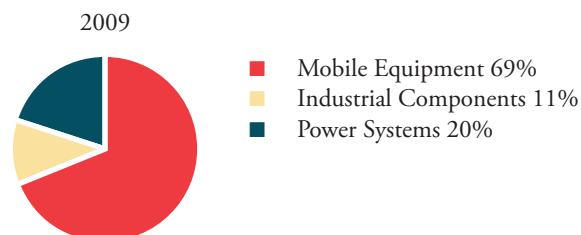
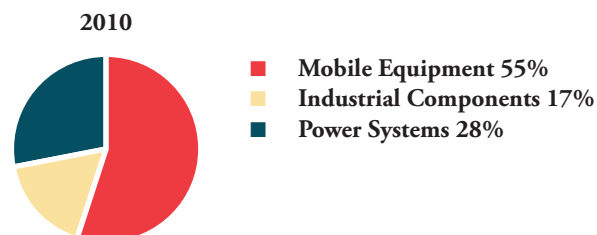
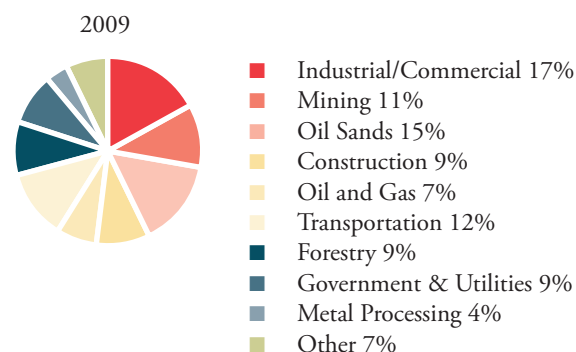
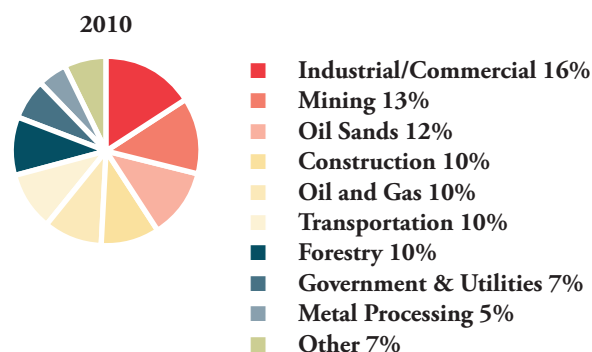
(3) Certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers in an amount of \$34.1 million year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of \$65.0 million year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

Revenue by Geographic Region



Revenue by Segment



EBIT by Segment**Revenue by Market****Revenue**

Revenue in 2010 of \$1,111.9 million increased 10%, or \$104.7 million, from \$1,007.2 million in 2009. Mobile Equipment's revenue increased 11%, or \$52.9 million, due mainly to a stronger market demand for forestry and construction equipment, higher crane and utility equipment sales and an increase in mining parts and service volumes. Industrial Components revenue increased 8%, or \$22.2 million, attributable to improved oil and gas drilling activity in western Canada, increased sales to metal processing customers and higher mining sector volumes in eastern Canada. Power Systems revenue increased 13%, or \$30.6 million, due to an increase in equipment and parts and service revenues mostly to off-highway customers.

Gross profit

Gross profit increased \$34.9 million, or 17%, in 2010 due to the positive impact of higher volumes and gross profit margins compared to last year. The gross profit margin percentage increased to 21.4% from 20.1% last year due to improved margins in all segments.

Selling and administrative expenses

Selling and administrative expenses increased \$15.2 million in the year. This was due primarily to increased personnel costs, including \$12.0 million of annual and mid-term incentive accruals, and higher bad debt costs of \$1.4 million in Mobile Equipment compared to last year. Selling and administrative expenses as a percentage of revenue decreased to 16.3% in 2010 from 16.5% in 2009.

Interest expense

Interest expense decreased \$0.4 million to \$4.1 million in 2010 from \$4.5 million in 2009 due mainly to lower funded debt net of cash ("funded net debt") outstanding in 2010.

Income tax recovery

The effective income tax recovery rate of 5.1% for the year decreased from 6.2% the previous year and included a \$2.8 million future tax recovery adjustment (2009 – \$0.3 million). The future income tax recovery is mostly due to an adjustment made to reflect the Fund's temporary differences that are estimated to reverse in taxable income after 2010, tax effected at rates that will apply in the periods the differences are expected to reverse. Last year, a \$1.7 million recovery of current tax expense resulted from a tax loss in the Fund's subsidiary Wajax Limited.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 29.4% as the majority of the Fund's income was not subject to tax in the Fund.

As of December 31, 2010, the Fund was a "mutual fund trust" as defined under the Income Tax Act (Canada) and was not taxable on its income to the extent that it was distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all taxable income earned by the Fund was distributed to its unitholders. Accordingly, no provision for income taxes was required on income earned by the Fund that was distributed to its unitholders. The Fund's corporate subsidiaries were subject to tax on their taxable income.

Under legislation enacted on June 22, 2007, the Fund would have paid tax on its distributions commencing 2011, or prior to 2011 if its equity capital grew beyond certain dollar limits measured by reference to the Fund's market capitalization on October 31, 2006. The Fund did not exceed its growth limits at December 31, 2010.

Effective January 1, 2011 the Fund converted into a corporation, pursuant to a plan of arrangement under the CBCA, whereby unitholders automatically received one common share of Wajax Corporation for each unit of the Fund held. Wajax Corporation and its subsidiaries will be subject to tax on all of their taxable income effective January 1, 2011. See Wajax Income Fund Overview and Conversion to Corporate Structure section.

Net earnings

Net earnings for the year ended December 31, 2010 increased \$20.8 million to \$55.0 million, or \$3.31 per unit, from \$34.2 million, or \$2.06 per unit, in 2009. The positive impact of higher volumes and gross profit margins, increased income tax recoveries and lower interest expense more than offset higher selling and administration expenses compared to last year.

Comprehensive income

Comprehensive income for the year ended December 31, 2010 of \$55.5 million increased \$21.2 million from \$34.2 million the previous year due to the \$20.8 million increase in net earnings and a \$0.4 million increase in other comprehensive income compared to last year. The increase in other comprehensive income resulted from losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory or interest expense in the current year, partially offset by losses on derivative contracts designated as cash flow hedges outstanding at the end of the year.

Funded net debt

Funded net debt of \$36.7 million decreased \$33.5 million in 2010 compared to last year. Cash flows from operating activities before changes in non-cash working capital of \$66.0 million and a decrease in non-cash working capital of \$23.4 million exceeded cash distributions of \$46.5 million and capital spending of \$9.0 million. As a result, Wajax's year-end debt-to-equity ratio of 0.18:1 decreased from last year's ratio of 0.35:1.

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

For the twelve months ended December 31, 2010 distributable cash was \$54.5 million, or \$3.28 per unit, compared to \$42.3 million, or \$2.55 per unit, the previous year. The increase was essentially attributable to higher cash flows from operations before changes in non-cash working capital somewhat offset by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year.

For the twelve months ended December 31, 2010 monthly cash distributions declared were \$3.40 per unit (2009 – \$2.47 per unit) and included total monthly distributions of \$1.80 per unit (2009 – \$2.47 per unit) plus total special distributions of \$1.60 per unit (2009 – \$NIL). For 2010, \$3.40 per unit (2009 – \$2.16 per unit) of distributions will be treated as other income for Canadian income tax purposes. In 2009, \$0.31 per unit of distributions were treated as a return of capital for Canadian income tax purposes.

Cash distributions declared for the twelve months ended December 31, 2010 exceeded distributable cash by \$2.0 million and were funded through the Fund's bank credit facilities.

Tax information relating to distributions and dividends is available on Wajax's website at www.wajax.com.

Backlog

Consolidated backlog at December 31, 2010 of \$217.3 million increased \$95.5 million, or 78%, from \$121.8 million at December 31, 2009.

Results of Operations

Mobile Equipment

For the year ended December 31	2010	2009
Equipment	\$ 332.4	\$ 290.1
Parts and service	\$ 223.4	\$ 212.8
Gross revenue	\$ 555.8	\$ 502.9
Segment earnings	\$ 38.1	\$ 30.5
Segment earnings margin	6.9%	6.1%

Revenue by Product Type 2010 versus 2009

Market	2010	2009
Construction	30%	32%
Forestry	12%	7%
Mining/Oil Sands	30%	32%
Material Handling	17%	19%
Crane & Utility	11%	10%

Revenue increased 11%, or \$52.9 million, to \$555.8 million in 2010 from \$502.9 million in 2009. Segment earnings increased \$7.6 million to \$38.1 million in 2010 compared to \$30.5 million in 2009. The following factors contributed to the improved results:

- Equipment revenue increased by \$42.3 million compared to last year. Specific year-over-year variances included the following:
 - Forestry equipment sales increased \$27.5 million attributable to higher market demand for all product lines across Canada, including Tigercat and forestry related Hitachi and Peterson Pacific products.

- Construction equipment revenue increased \$6.1 million due mostly to increased market demand for new Hitachi excavators in all regions and JCB equipment in western Canada.
- Crane and utility equipment revenue increased \$12.9 million due primarily to higher deliveries to a hydro utility customer.
- Material handling equipment revenue decreased \$2.9 million due to product mix, as the segment sold a higher proportion of lower dollar value units compared to last year.
- Mining equipment revenue decreased \$1.3 million.
- Parts and service volumes increased \$10.6 million compared to last year resulting from higher mining sector sales in western Canada and increased volumes in the construction and forestry sectors.
- Earnings increased \$7.7 million compared to last year. The positive impact of higher volumes and gross margins outweighed a \$2.6 million increase in selling and administrative expenses. Higher gross profit margins resulted mainly from increased parts and service margins. Selling and administrative expenses increased as a result of higher bad debt expense and annual and mid-term incentive accruals.

Backlog of \$94.0 million at December 31, 2010 increased \$40.1 million compared to December 31, 2009 due mainly to increases in equipment orders in several sectors.

Effective September 16, 2010, Mr. Brian Dyck was appointed Senior Vice President, Mobile Equipment to succeed Mr. Mark Whitman who has elected to retire effective March 4, 2011. Brian has been with Wajax for the past 17 years and over that time has assumed increased responsibilities and most recently was General Manager, Mobile Equipment, Western Region.

As a result of steps taken in 2008 and 2009, Mobile Equipment was well positioned in 2010 to take advantage of the general uplift in the Canadian economy. Revenue grew 11% and earnings margins increased to 6.9% in 2010. This was achieved by containing overhead costs and a workforce expansion to less than 5%. Going forward Mobile Equipment's overall strategy is to grow revenue and earnings by increasing its equipment market share, in order to drive aftermarket revenue, and by continuing to maximize operational efficiencies.

The strategic initiatives for Mobile Equipment are based on changing its marketing approach to build market share, particularly in the construction and material handling product lines. To support the market share growth objective, the segment intends to significantly improve product support activities across all lines of business.

The segment intends to build its equipment market share and its aftermarket parts and service business through the following initiatives:

- Increase the coverage of the equipment sales force with additional personnel and redeploy the resources to focus on the full product offering within each category. This will be combined with a division-wide redesign of training, development, performance measurement and compensation programs.
- Branch equipment inventory availability is to be increased as part of an initiative to upgrade the processes used for inventory forecasting, ordering and stocking.
- Increase parts availability and fill rates to customers through a redesign of parts inventory stocking parameters.
- The efficiency and effectiveness of the service operations are to be improved through the development of a more in-depth oversight process and a higher degree of training for technicians and service management.
- Improve the branch coverage in key metropolitan areas. The current Montreal Lachine facility will be vacated in 2012 and replaced by two newer facilities which will allow for improved market penetration of the entire area. A review of the Greater Toronto Area (GTA) branch coverage will be completed in 2011 to best determine how to most effectively serve the eastern part of the GTA.

Industrial Components

For the year ended December 31	2010	2009
Gross revenue	\$ 303.2	\$ 281.0
Segment earnings	\$ 12.0	\$ 4.7
Segment earnings margin	3.9%	1.7%

Revenue by Market 2010 versus 2009

Market	2010	2009
Industrial/Manufacturing	17%	18%
Forestry	15%	16%
Mining	14%	13%
Metal Processing	12%	11%
Oil & Gas	10%	8%
Construction	7%	7%
Transportation	5%	5%
Food & Beverage	5%	6%
Other	15%	16%

Revenue increased \$22.2 million, or 8%, to \$303.2 million from \$281.0 million in 2009. Segment earnings increased \$7.3 million to \$12.0 million compared to \$4.7 million in the previous year. The year-over-year changes in revenue and earnings were a result of the following factors:

- Bearings and power transmission parts sales increased \$11.4 million. Increased sales to metal processing customers in eastern Canada and Ontario, higher mining sector revenue in eastern Canada and improved oil and gas sector volumes accounted for most of the increase.
- Fluid power and process equipment product and service revenue increased \$10.8 million due mostly to improved oil and gas drilling activity in western Canada and higher volumes in the metal processing and construction sectors across Canada.
- Segment earnings increased \$7.3 million compared to last year on higher volumes and gross margins, offset partially by a \$3.7 million increase in selling and administrative expenses. Margins were higher on both bearings and power transmission parts and fluid power and process equipment products compared to last year. Selling and administrative expenses increased \$3.7 million due primarily to higher personnel costs, including annual and mid-term incentive accruals and commissions, partially offset by 2009 computer systems conversion costs and lower bad debt expenses.

Backlog of \$35.4 million as of December 31, 2010 increased \$13.2 million compared to December 31, 2009.

Effective May 24, 2010, Mr. Adrian Trotman was appointed Senior Vice President, Industrial Components. Mr. Trotman is a professional engineer and has an MBA degree. He has twenty years of experience in industrial distribution in Canada with a major U.S. multinational.

As a result of steps taken in 2008 and 2009, Industrial Components was well positioned in 2010 to take advantage of the general uplift in the Canadian economy. Revenue grew 8% and earnings margins increased from 1.7% in 2009 to 3.9% in 2010. This was achieved by containing overhead costs and a workforce expansion to less than 3%. Going forward Industrial Component's overall strategy is to grow revenue and earnings by maximizing operational efficiencies and by leveraging technical and engineering competencies in order to offer customers distinct value added services.

While considerable effort has been undertaken over the last number of years to improve Industrial Components revenue and profitability, initiatives to continue to drive further improvements include:

- Capitalize on the segment's technical and engineering expertise. This will include further expansion of design and assembly

capabilities, as well as shop and field repair services and will be supported by more effective national marketing programs.

- Grow major product categories in under-represented territories; bearings and power transmission products in western Canada and hydraulics in Ontario and Quebec. This will include the opening of new branches, the addition of product lines and selective acquisitions.
- Upgrade the segment's e-commerce capability in order to meet the evolving electronic transaction needs of its customers and to improve the efficiency of its transactions with suppliers.
- Improve the segment's inventory management and supply chain processes in order to optimize inventory levels, rationalize suppliers and reduce freight expenses.
- Continue to develop and market the segment's globally sourced private label brands: HY-SPEC and NATIONAL.

Power Systems

For the year ended December 31

	2010	2009
Equipment	\$ 116.6	\$ 91.5
Parts and service	\$ 140.7	\$ 135.2
Gross revenue	\$ 257.3	\$ 226.7
Segment earnings	\$ 19.2	\$ 8.8
Segment earnings margin	7.4%	3.9%

Revenue by Market 2010 versus 2009

Market	2010	2009
Oil & Gas	27%	18%
On-highway Transportation	25%	31%
Industrial/Commercial	24%	26%
Oil Sands	7%	8%
Mining	3%	3%
Other	14%	14%

Revenue increased \$30.6 million, or 13%, to \$257.3 million in 2010 from \$226.7 million in 2009. Segment earnings increased \$10.4 million to \$19.2 million in 2010 from \$8.8 million in 2009. The following factors impacted year-over-year revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada increased \$15.4 million in 2010. Equipment revenue increased \$8.1 million as higher product sales to oil and gas customers more than offset the impact of lower power generation equipment sales. Parts and service revenue increased \$7.4 million as higher sales to off-highway customers, including those in the mining and oil and gas sectors, were partially offset by a decline in on-highway volumes.

- Revenue at the eastern Canada operation, DDACE Power Systems (“DDACE”), increased \$15.1 million in 2010. Equipment sales increased \$16.9 million due mainly to the delivery of a large order for marine power packages and higher generator set deliveries. Parts and service revenue decreased by \$1.8 million due mainly to lower on-highway volumes compared to last year.
- Earnings increased \$10.4 million compared to last year as the positive impact of higher volumes and gross margins outweighed a \$3.3 million increase in selling and administrative expenses. Segment margins increased mainly as a result of higher equipment margins, due in part to cost overruns last year on generator set packages at Waterous. Increased selling and administrative expenses were attributable to higher personnel costs, including annual and mid-term incentive accruals and commissions, and other sales related expenses.

Backlog of \$87.9 million as of December 31, 2010 increased \$42.2 million compared to December 31, 2009 due mainly to increases in energy sector orders.

Effective January 1, 2010, Mr. Tim Zawislak was appointed to the position of Senior Vice President, Wajax Power Systems. The Wajax Power Systems division has been created to integrate the operations of Waterous and DDACE with the objective of becoming a single national provider of power systems with a presence in all markets across Canada.

As a result of steps taken in 2008 and 2009, Power Systems was well positioned in 2010 to take advantage of the general uplift

in the Canadian economy. Revenue grew 13% and earnings margins increased from 3.9% in 2009 to 7.4% in 2010. This was achieved in part by containing overhead costs and a workforce expansion to approximately 5%. Going forward Power Systems’ overall strategy is to grow revenue and earnings by focusing on its off-highway and power generation business.

The segment intends to expand its off-highway and power generation business to become a Canada-wide total power systems solutions provider. Initiatives will include the following:

- Investment in an electrical power generation rental fleet, beginning in western Canada, providing customers with a “turn-key” rental solution including the power generator and related connectivity and support products and services.
- Expansion of the segment’s product portfolio and geographic territory. This will include adding product lines to fill gaps in its power generation product offering, as well as expanding to areas of Ontario and British Columbia where Power Systems is currently not well represented.
- Further develop the segment’s off-highway and power generation packaging and integration capabilities by building out and leveraging its engineering and project management expertise to all major geographic markets.

Fourth Quarter Consolidated Results

For information regarding Wajax’s fourth quarter consolidated results, please see the fourth quarter 2010 MD&A incorporated by reference herein available on SEDAR at www.sedar.com.

Selected Quarterly Information

	2010				2009 ⁽²⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 316.6	\$ 294.6	\$ 272.3	\$ 227.7	\$ 259.1	\$ 234.6	\$ 248.7	\$ 264.9
Net earnings	\$ 15.0	\$ 19.4	\$ 12.2	\$ 8.4	\$ 8.3	\$ 6.8	\$ 9.8	\$ 9.3
Net earnings per unit								
Basic	\$ 0.90	\$ 1.17	\$ 0.74	\$ 0.50	\$ 0.50	\$ 0.41	\$ 0.59	\$ 0.56
Diluted	\$ 0.89	\$ 1.15	\$ 0.72	\$ 0.50	\$ 0.50	\$ 0.40	\$ 0.59	\$ 0.55
Distributable cash ⁽¹⁾	\$ 12.9	\$ 19.4	\$ 13.3	\$ 9.0	\$ 10.0	\$ 9.6	\$ 11.3	\$ 11.4
Distributable cash per unit ⁽¹⁾								
Basic	\$ 0.77	\$ 1.17	\$ 0.80	\$ 0.54	\$ 0.60	\$ 0.58	\$ 0.68	\$ 0.69

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

(2) Certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers in an amount of \$34.1 million year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of \$65.0 million year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

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

Selected Annual Information

	2010	2009 ⁽²⁾	2008
Revenue	\$1,111.9	\$1,007.2	\$1,213.5
Net earnings	\$ 55.0	\$ 34.2	\$ 75.8
Net earnings per unit			
Basic	\$ 3.31	\$ 2.06	\$ 4.57
Diluted	\$ 3.26	\$ 2.04	\$ 4.53
Total assets	\$ 515.3	\$ 448.2	\$ 529.6
Long-term liabilities	\$ 10.5	\$ 87.8	\$ 121.8
Distributions declared per unit			
Cash	\$ 3.40	\$ 2.47	\$ 4.13
Non-cash ⁽¹⁾	–	–	\$ 0.47

(1) See Distributions section.

(2) Certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers in an amount of \$34.1 million year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of \$65.0 million year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

Revenue in 2010 of \$1,111.9 million increased \$104.7 million compared to 2009 due to the general uplift in the Canadian economy that was experienced in all segments. Revenue in 2009 of \$1,007.2 million decreased \$206.3 million from \$1,213.5 million in 2008 due to the declines in market demand in every sector, except for government and utilities, somewhat offset by revenue related to the acquisition of Peacock in September 2008.

Earnings decreased \$20.8 million from 2008 to 2010. The decline was attributable to the net decreases in revenue noted above, lower gross profit margins, offset somewhat by lower selling and administrative expenses, income tax recoveries and lower interest expense.

Total assets decreased \$14.3 million between December 31, 2008 and December 31, 2010. The overall decrease in total assets is attributable to reductions in inventories and accounts receivable, throughout 2009 and 2010, offset partially by an increase in cash.

Long-term liabilities at December 31, 2010 of \$10.5 million decreased \$111.3 million from December 31, 2008 due to the reclassification of bank debt to current liabilities as the bank credit agreement expires December 31, 2011. Management expects to be able to enter into new credit facility by the end of 2011.

Cash Flow, Liquidity and Capital Resources

Cash Flows from Operating Activities

For the year ended December 31, 2010, cash flows from operating activities amounted to \$89.4 million, compared to \$102.4 million the previous year. The decline was due to lower non-cash working capital reductions of \$33.9 million, offset by an increase in cash flows from operations before changes in non-cash working capital of \$21.0 million.

Changes in non-cash working capital include the following components:

Increase (decrease) in non-cash working capital

For the year ended December 31	2010	2009
Accounts receivable	\$ 12.0	\$ (39.2)
Inventories	\$ 17.4	\$ (53.1)
Prepaid expenses and other recoverable amounts	\$ (0.6)	\$ 2.8
Accounts payable and accrued liabilities	\$ (50.5)	\$ 29.3
Income taxes payable	\$ (1.8)	\$ 2.9
Total	\$ (23.4)	\$ (57.3)

Significant components of the changes in non-cash working capital for the twelve months ended December 31, 2010 are as follows:

- Accounts payable and accrued liabilities increased \$50.5 million reflecting higher inventory related trade payables in all segments and higher bonus and mid-term incentive accruals.
- Inventories increased \$17.4 million with the largest increases in the Mobile Equipment and Power Systems segments resulting from anticipated increases in sales activity.
- Accounts receivable increased \$12.0 million on higher sales activity in all segments.
- Income taxes payable increased \$1.8 million due to receipt of a prior year tax refund owing.

At December 31, 2010 Wajax had employed \$119.4 million in working capital, exclusive of cash and bank debt, compared to \$150.9 million at December 31, 2009. The \$31.5 million decrease was due primarily to the cash flow factors listed above and the \$10.0 million increase in distributions payable related to the \$0.60 per unit special distribution declared for December 2010. This was partially offset by a \$3.3 million increase in future income tax assets.

Investing Activities

For the year ended December 31, 2010, Wajax invested a net amount of \$9.1 million compared to \$7.4 million the previous year. Investing activities included \$2.5 million of lift truck rental fleet additions net of disposals in Mobile Equipment, \$1.6 million of power generator set rental fleet additions net of disposals in Power Systems, and \$5.0 million of other various capital asset additions net of disposals.

Financing Activities

For the year ended December 31, 2010 Wajax used \$46.6 million of cash in financing activities compared to \$81.5 million in 2009. Monthly cash distributions paid to unitholders totaled \$46.5 million, or \$2.80 per unit for the twelve months ended December 31, 2010.

Funded net debt of \$36.7 million at December 31, 2010 decreased \$33.5 million compared to December 31, 2009. Cash flows from operating activities before changes in non-cash working capital of \$66.0 million and a decrease in non-cash working capital of \$23.4 million were offset by cash distributions of \$46.5 million and capital spending of \$9.1 million. Wajax's year-end debt-to-equity ratio of 0.18:1 at December 31, 2010 decreased from the ratio of 0.35:1 at December 31, 2009.

Liquidity and Capital Resources

At December 31, 2010, the terms of Wajax's \$175 million bank credit facility included the following:

- The facility is fully secured, expiring December 31, 2011, made up of a \$30 million non-revolving term portion and a \$145 million revolving term portion. Management expects to be able to enter into a new credit facility by the end of 2011.
- Borrowing capacity is dependent upon the level of inventories on-hand and the outstanding trade accounts receivable.
- The facility contains customary restrictive covenants including limitations on the payment of cash distributions (dividends subsequent to December 31, 2010) and the maintenance of certain financial ratios all of which were met as at December 31, 2010. Wajax will be restricted from the payment of monthly dividends in the event the ratio of debt to earnings before interest, taxes, depreciation and amortization (the "Leverage Ratio") exceeds three times. In addition, monthly dividends 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.
- Borrowings bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Wajax has entered into interest-rate swap contracts with two of its lenders, such that in total the interest rate on \$80 million of its debt is effectively fixed at the combined rate of 2.925% plus applicable margins until

December 31, 2011. Margins on the facility depend on Wajax's Leverage Ratio at the time of borrowing and range between 0.75% and 2.50% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and nil% and 1.5% for prime rate borrowings. See the Financial Instruments section below.

At December 31, 2010, Wajax had borrowed \$80.0 million and issued \$5.1 million of letters of credit for a total utilization of \$85.1 million of its \$175 million bank credit facility. At December 31, 2010 borrowing capacity under the bank credit facility was equal to \$175.0 million.

Wajax also has a \$15 million demand inventory equipment financing facility with a non-bank lender. The equipment notes payable under the facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields. Principal repayments commence between 6 and 12 months from the date of financing and the notes are due in full when the equipment is sold. At December 31, 2010 Wajax had no utilization of its \$15 million equipment financing facility.

Wajax's \$175 million bank credit facility along with an additional \$15 million of capacity permitted under the credit facility, should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements. In the long-term Wajax may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and employees on long-term disability benefits. The fair value of the defined benefit plans' assets increased \$1.6 million to \$12.6 million at December 31, 2010 due to a \$0.8 million return on plan assets and excess contributions over benefits paid for the year. The accrued benefit obligations of the plans at December 31, 2010 were \$17.0 million and included a \$3.8 million benefit obligation related to the Wajax Limited Supplemental Executive Retirement Plan (SERP) that is not funded but secured by a \$4.3 million letter of credit. The resulting deficit for the plans at December 31, 2010 excluding the SERP was \$0.6 million. The defined benefit plans are subject to actuarial valuations in 2011 and 2012. Management does not expect future cash contribution requirements to change materially from the 2010 contribution level of \$1.6 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

On May 7, 2010, unitholders approved the conversion of the Fund to a corporation pursuant to a plan of arrangement under the CBCA effective January 1, 2011. The arrangement resulted in the reorganization of the Fund into a corporate structure and unitholders received one common share of Wajax Corporation for each Unit of the Fund held. Lenders providing the Fund's \$175 million bank credit facility agreed to the conversion.

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. Wajax will be required to report using IFRS beginning January 1, 2011. As a result of adopting IFRS, Wajax anticipates that the reported values of its net assets, equity and earnings will change. The \$175 million bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS. See the Accounting Changes section.

Financial Instruments

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

- Wajax has entered into the following interest rate swaps that have effectively fixed the interest rate on \$80 million of Wajax's debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:
 - On June 7, 2008 the delayed interest rate swap Wajax entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until expiry of the facility on December 31, 2011.
 - On January 23, 2009, a delayed interest rate swap Wajax entered into on December 18, 2008 with two of its lenders became effective. As a result, the interest rate on the \$50 million revolving term portion of the bank credit facility was effectively fixed at 1.92% plus applicable margins until expiry of the facility on December 31, 2011.
 - Margins on the debt associated with the interest rate swaps depend on Wajax's Leverage Ratio and range between 0.75% and 2.5%.
- Wajax 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.

Contractual Obligations

Contractual Obligations	Total	2011	2012	2013	2014	2015	After 2015
Bank debt	\$ 80.0	\$ 80.0	\$ –	\$ –	\$ –	\$ –	\$ –
Operating leases	\$ 80.7	\$ 19.1	\$ 14.6	\$ 10.0	\$ 7.7	\$ 5.8	\$ 23.5
Total	\$ 160.7	\$ 99.1	\$ 14.6	\$ 10.0	\$ 7.7	\$ 5.8	\$ 23.5

As at December 31, 2010, Wajax had contracts outstanding to buy U.S.\$34.1 million and to sell U.S. \$0.3 million (December 31, 2009 – to buy U.S.\$20.5 million and to sell U.S.\$0.03 million). These include contracts expiring between January 2011 and December 2012, with a weighted average U.S./Canadian dollar rate of 1.0372.

Wajax measures financial instruments held for trading at fair value with subsequent changes in fair value being charged to earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. 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.

Currency Risk

Wajax's operating results are reported in Canadian dollars. While Wajax'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 Wajax's revenue, margins and working capital balances. Wajax 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. See the Financial Instruments section.

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

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax's revenue as a result of certain products being imported from the U.S. Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded.

Wajax maintains a hedging policy whereby significant transactional currency risks are identified and hedged.

The \$80.0 million debt obligation in 2011 relates to the bank term credit facility, see the Liquidity and Capital Resources section. For more information on Wajax's operating lease obligations, see the Off Balance Sheet Financing section below.

Wajax also has contingent contractual obligations where Wajax has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. At December 31, 2010, Wajax had guaranteed \$5.8 million (2009 – \$7.1 million) for contracts with commitments arising between 2011 and 2014. The commitments made by Wajax for the guaranteed residual value contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. Wajax has recorded a \$0.5 million provision in 2010 (2009 – \$Nil) as an estimate of the financial exposure likely to result from such commitments.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment, vehicles and other equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section above. At December 31, 2010, the non-discounted operating lease commitments for facilities totaled \$67.6 million, rental fleet \$6.0 million, vehicles \$6.0 million and other equipment \$1.2 million.

In addition, the Mobile Equipment segment had \$39.4 million (2009 - \$22.2 million) of consigned inventory on-hand from a major manufacturer at December 31, 2010. 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 Wajax's inventory as the manufacturer retains title to the goods.

In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities. Although management currently believes Wajax has adequate debt capacity, Wajax would have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in Wajax's credit facilities. See the Liquidity and Capital Resources section.

Although Wajax's consolidated contractual annual lease commitments decline year-by-year, it is anticipated that existing leases will either be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

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 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 an equipment finance company. 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 business acquisitions and land and building additions as they are not considered to be expenditures 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".

Distributions

Distributions were based on distributable cash (see Non-GAAP Measures section) and depended 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 reasonably considered to be necessary to provide for liquidity and for the payment of costs or other obligations that have been or were reasonably expected to be incurred by the Fund. See the Cash Flow, Liquidity and Capital Resources and Distributable Cash sections.

Cash distributions to unitholders for the periods January 1, 2010 to December 31, 2010 and January 1, 2009 to December 31, 2009 were declared as follows:

Month ⁽¹⁾	2010		2009	
	Per Unit	Amount	Per Unit	Amount
January	\$ 0.15	\$ 2.5	\$ 0.36	\$ 6.0
February	0.15	2.5	0.20	6.0
March	0.15	2.5	0.20	3.3
April	0.15	2.5	0.20	3.3
May	0.15	2.5	0.20	3.3
June	0.15	2.5	0.20	3.3
July	0.15	2.5	0.15	3.3
August	0.15	5.8	0.15	2.5
September	0.15	5.8	0.15	2.5
October	0.15	5.8	0.15	2.5
November	0.15	9.2	0.15	2.5
December	0.15	12.5	0.15	2.5
Total monthly cash distributions	1.80	30.0	2.47	41.0
Special cash distributions	1.60	26.5	–	–
Total cash distributions for the year ended December 31	\$ 3.40	\$ 56.5	\$ 2.47	\$ 41.0

(1) The Fund's monthly cash distributions were generally payable to unitholders of record on the last business day of each calendar month and were paid on or about the 20th day of the following month.

Distributions paid by the Fund for 2010 and 2009 were funded from cash generated by the Fund's operations before changes in non-cash working capital.

During the year the total of the Fund's monthly cash distributions to unitholders of \$3.40 per unit increased by \$0.93 per unit, or 38%, from \$2.47 per unit in 2009. This reflected the increase in distributable cash generated by the Fund during 2010 compared to 2009.

Treatment of the Fund's distributions for Canadian income tax purposes for 2010 and 2009 is as follows:

Taxation Year	Other Income	Return of Capital	Total
2010	100.00%	–	100%
2009	87.55%	12.45%	100%

Unitholder tax information relating to 2009 and 2010 distributions is available on Wajax'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 from operating activities (a GAAP measure) to distributable cash (a non-GAAP measure).

For the year ended December 31	2010	2009
Cash flows from operating activities	\$ 89.4	\$ 102.4
Changes in non-cash working capital ⁽²⁾	(23.4)	(57.3)
Cash flows from operating activities before changes in non-cash working capital	66.0	45.1
Entity specific adjustments ⁽³⁾ :		
Maintenance capital expenditures ^{(1) (3a)}	(6.8)	(2.5)
Accrual for mid-term incentives ^(3b)	(4.4)	–
Amortization of deferred financing costs ^(3c)	(0.3)	(0.3)
Distributable cash ⁽¹⁾	\$ 54.5	\$ 42.3
per unit basic	\$ 3.28	\$ 2.55
per unit fully diluted	\$ 3.23	\$ 2.52
Cash distributions declared – \$	56.5	41.0
per unit	\$ 3.40	\$ 2.47
Payout ratio ⁽⁴⁾	103.7%	96.9%

(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 an equipment finance company. 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. **Accruals for mid-term incentives:** change in accruals for mid-term incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.
- c. **Amortization of deferred financing 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) **Payout Ratio** is equal to cash distributions declared as a percentage of distributable cash.

For the twelve months ended December 31, 2010, distributable cash was \$54.5 million, or \$3.28 per unit, compared to \$42.3 million, or \$2.55 per unit, the previous year. The \$12.2 million increase in distributable cash was due to a \$21.0 million increase in cash flows from operations before changes in non-cash working capital, offset partially by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year.

For the same period, monthly cash distributions declared were \$3.40 per unit (2009 – \$2.47 per unit) and included special distributions of \$1.60 per unit (2009 – nil).

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

- Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$175 million bank credit facility, along with an additional \$15 million of capacity permitted under the credit facility, which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding accounts trade receivable. See the Liquidity and Capital Resources section.

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

Cash distributions declared for the twelve months ended December 31, 2010 exceeded distributable cash by \$2.0 million and were funded through the Fund's bank credit facilities. See the Distributions section.

For the twelve months ended December 31, 2010, the payout ratio of cash distributions based on distributable cash was 104%, compared to 97% the previous year.

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

For the year ended December 31	2010	2009
A. Cash flows from operating activities	\$ 89.4	\$ 102.4
B. Net earnings	55.0	34.2
C. Distributable cash ⁽¹⁾	54.5	42.3
D. Cash distributions declared	56.5	41.0
E. Excess of cash flows from operating activities over cash distributions declared (A – D)	32.9	61.4
F. Shortfall of net earnings over cash distributions declared (B – D)	(1.5)	(6.8)
G. Excess (shortfall) of distributable cash over cash distributions declared (C – D)	(2.0)	1.3

(1) 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 twelve months ended December 31, 2010, the \$32.9 million excess of cash flows from operating activities over cash distributions declared was comprised of a decrease in non-cash working capital of \$23.4 million, maintenance capital expenditures, net of disposals, of \$6.8 million and other entity specific adjustments totaling \$4.7 million, less a \$2.0 million shortfall of distributable cash over cash distributions declared. The \$2.0 million shortfall was funded through the Fund's bank credit facility. Cash distributions declared exceeded net earnings by \$1.5 million, due mainly to the \$2.0 million shortfall of distributable cash over cash distributions declared, less maintenance capital expenditures and other non-cash items deducted in calculating distributable cash exceeding amortization deducted in calculating net earnings by \$0.5 million.

For the twelve months ended December 31, 2009, the \$61.4 million excess of cash flows from operating activities over cash distributions declared was comprised of a decrease in non-cash working capital of \$57.3 million, maintenance capital expenditures, net of disposals, of \$2.5 million, other entity specific adjustments totaling \$0.3 million and \$1.3 million available for future capital requirements or distributions. Cash distributions declared exceeded net earnings by \$6.8 million, due mainly to amortization deducted in calculating net earnings exceeding maintenance capital expenditures and other non-cash items deducted in calculating distributable cash by \$8.1 million, less the \$1.3 million excess of distributable cash over cash distributions declared. The \$1.3 million excess of distributable cash over cash distributions declared provided an amount for future capital requirements or distributions.

The following is a reconciliation of net earnings to distributable cash:

For the year ended December 31	2010	2009
Net earnings	\$ 55.0	\$ 34.2
Add (deduct)		
Amortization ⁽¹⁾	8.6	9.4
Maintenance capital expenditures ^{(2) (3)}	(6.8)	(2.5)
Non-cash items:		
Pension expense, net of payments	(1.0)	(0.2)
Non-cash rental expense	0.1	0.2
Unit-based compensation expense	1.4	1.4
Future income taxes	(2.8)	(0.2)
Distributable cash ⁽²⁾	\$ 54.5	\$ 42.3

(1) Includes amortization of rental equipment; property, plant and equipment; and intangible assets.

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

(3) 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.

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 year ended December 31	2010	2009
Cash flows from operating activities	\$ 89.4	\$ 102.4
A. Capital expenditure outlays⁽³⁾:	(10.9)	(9.9)
B. Restriction on distributions⁽⁴⁾	–	(9.9)
Standardized Distributable Cash^{(1) (2)}	\$ 78.5	\$ 92.5
per unit basic	\$ 4.72	\$ 5.57
per unit fully diluted	\$ 4.65	\$ 5.51
i. Capital adjustments made to reflect maintenance capital expenditures⁽⁵⁾:		
Proceeds from disposals of capital expenditures	1.9	2.5
Growth capital expenditures	1.1	3.4
Rental fleet transferred to inventory	1.1	1.5
ii. Other entity specific adjustments⁽⁶⁾:		
Changes in non-cash working capital ^(6a)	(23.4)	(57.3)
Accrual for mid-term incentives ^(6b)	(4.4)	–
Amortization of deferred financing charges ^(6c)	(0.3)	(0.3)
Distributable Cash⁽²⁾	\$ 54.5	\$ 42.3
per unit basic	\$ 3.28	\$ 2.55
per unit fully diluted	\$ 3.23	\$ 2.52
Cash Distributions Declared – \$	56.5	41.0
per unit	\$ 3.40	\$ 2.47
Payout ratio⁽⁷⁾		
based on standardized distributable cash	72.0%	44.3%
based on distributable cash	103.7%	96.9%

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

a. **Changes in Non-cash Working Capital** see Distributable Cash section.

b. **Accruals for Mid-Term Incentives** see Distributable Cash section.

c. **Amortization of Deferred Financing Costs** see Distributable Cash section.

(7) **Payout ratio** is equal to cash distributions declared as a percentage of distributable cash.

For the twelve months ended December 31, 2010, standardized distributable cash was \$78.5 million, or \$4.72 per unit, compared to \$92.5 million, or \$5.57 per unit, the previous year. The \$14.0 million decrease was attributable to \$13.0 million decrease in cash flows from operating activities and higher capital expenditures of \$1.0 million. See the Cash Flow, Liquidity and Capital Resources section.

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 was 94.9% and 96.6%, respectively. The difference is comprised of changes in non-cash working capital, 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, Wajax's productive capacity is determined primarily by its branch infrastructure across Canada, manufacturer relationships and other maintenance and growth capital employed.

Wajax operates from 108 facilities throughout Canada, of which 80 are leased. Wajax's principal properties are primarily sales and service outlets.

Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, 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 in the Mobile Equipment and Power Systems segments, which will vary with market demand, and other capital which is employed primarily to support and maintain the branch network operations.

In addition, Wajax enters into off balance sheet financing arrangements including operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment, vehicles and other equipment. At December 31, 2010, the non-discounted operating lease commitments for rental fleet totaled \$6.0 million, vehicles \$6.0 million and other equipment \$1.2 million.

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

For the ten year period from 2000 to 2010, 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 \$8.8 million. The annual maintenance capital expenditures varied between \$2.8 million and \$13.0 million during the period. Management's expectation for future annual maintenance capital expenditures is between \$8 million and \$14 million.

Financing Strategies

Wajax's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing facility should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements. Wajax's \$175 million bank credit facility expires December 31, 2011. Management expects to be able to enter into a new credit facility by the end of 2011.

Wajax's short-term normal course 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 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities.

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

Borrowing capacity under the bank credit facility is dependent on the level of Wajax's inventories on-hand and outstanding trade accounts receivables. At December 31, 2010 borrowing capacity under the bank credit facility was equal to \$175.0 million.

The bank credit facility contains covenants that could restrict the ability of Wajax to make dividend payments, if (i) an event of default exists or would exist as a result of a dividend payment, 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 dividend payments by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Borrowing capacity under the bank credit facility is dependent on the level of Wajax's inventories on-hand and outstanding trade accounts receivables. In addition, the bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS effective January 1, 2011. See the Accounting Changes section.

For further detail, the bank credit facility is available on SEDAR at www.sedar.com.

Unit Capital

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

Issued and fully paid Trust Units as at December 31, 2010

	Number	Amount
Balance at the beginning		
of the year	16,603,423	\$ 105.3
Rights exercised	26,021	0.6
Balance at the end of the year	16,629,444	\$ 105.9

See the Wajax Income Fund Overview and Conversion to Corporate Structure section.

Wajax has four unit-based compensation plans; the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP 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 subject to time and performance vesting criteria. Compensation expense for the UOP, DUP and TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting amount to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the three year vesting period. Wajax recorded compensation cost of \$5.7 million for the year (2009 - \$1.8 million) in respect of these plans.

At December 31, 2010, 101,999 (2009 - 126,125) rights were outstanding under the UOP, 24,164 (2009 - 21,944) rights were outstanding under the DUP and 147,798 (2009 - 117,518) rights were outstanding under the TDUP.

Effective January 1, 2011 the plans have been amended to reflect the conversion to a corporation. In particular, rights issued to participants will be valued and settled by Wajax Corporation shares and MTIP compensation expense will vary with the price of Wajax Corporation's shares.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Wajax has taken into account current economic conditions when determining the provision for inventory obsolescence, provision

for doubtful accounts and any impairment of goodwill and other assets. Note 2 to the Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. Wajax bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances. The more significant estimates include provisions for inventory obsolescence and doubtful accounts, warranty reserves and fair market values for goodwill impairment tests.

Provision for inventory obsolescence

The value of Wajax's new and used equipment is evaluated by management throughout each year. When required, reserves are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. Wajax identifies slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. Wajax takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2010 was \$4.0 million compared to \$3.0 million in 2009.

Provision for doubtful accounts

Wajax is exposed to credit risk with respect to its accounts receivable. However, this is somewhat minimized by Wajax's large customer base which covers most business sectors across Canada. Wajax follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. Wajax maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The \$3.9 million provision for doubtful accounts at December 31, 2010 increased \$1.6 million from \$2.3 million in 2009 due mainly to a customer accounts receivable in the Mobile Equipment segment. As conditions change, actual results could differ from those estimates.

Warranty reserve

Wajax provides for customer warranty claims that may not be covered by the manufacturers' standard warranty, primarily in Mobile Equipment where the reserve is determined by applying a claim rate to the value of each machine sold. The rate is developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and adjusted as required.

Goodwill and intangible assets

Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate goodwill and indefinite life intangible assets might be impaired. To test for impairment, Wajax compares each reporting unit's carrying value to its fair value. Fair value is determined by a calculation of discounted future cash flows and by reference to market valuations, where available. Any impairment in the current year would be recorded as a charge against current earnings. During the year, Wajax performed an impairment test of its goodwill and indefinite life intangible assets and concluded that no impairment existed in the goodwill and indefinite life intangible assets associated with any of Wajax's reporting units.

Finite life intangible assets are amortized on a straight line basis over their useful lives and are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. Impairment of a finite life intangible asset would be recognized in an amount equal to the difference between the carrying value and the fair value of the related finite life intangible asset. Wajax concluded that no impairment of the carrying value of the finite life intangible assets existed.

While Wajax uses available information to prepare its estimate of fair value, actual results could differ significantly from management's estimates which could result in future impairment and losses related to recorded goodwill and other asset balances.

Financing costs

Transaction costs related to the acquisition or amendment of long-term debt are deferred and amortized to interest expense using an effective yield method. Deferred financing costs are included in the carrying amount of the related debt.

Changes in Accounting Policy

Multiple Deliverable Arrangements

On January 1, 2010, Wajax adopted Emerging Issues Committee Abstract ("EIC") 175, "Multiple Deliverable Revenue Arrangements". EIC-175 provides guidance on identifying and accounting for revenue arrangements with multiple revenue-generating activities. Under EIC-175, when it is determined that the multiple deliverables in an arrangement represent separate units of accounting, an entity should allocate the arrangement consideration among the separate units of accounting based on their selling prices and apply the applicable revenue recognition criteria separately to each unit. This Abstract may be applied prospectively in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. In the event that an entity early adopts and the period of adoption is not the entity's first reporting period in the fiscal year, the

Abstract should be applied retroactively from the beginning of the entity's fiscal period.

Wajax has assessed its revenue arrangements with multiple deliverables using the guidance in EIC-175. The impact on earnings from adopting this Abstract was not material.

International Financial Reporting Standards

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") is required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. Wajax is required to report using IFRS beginning January 1, 2011. IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

Wajax's management has prepared a comprehensive IFRS conversion plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, disclosure controls and procedures, modification of existing systems, staff training as well as other related business matters. The project consists of four phases: awareness, assessment, design and implementation. All four phases have now substantially been completed. Wajax continues to monitor the development of new standards within IFRS as they are released. To date, Wajax has not identified any significant changes that will be required to its information systems, internal controls over financial reporting or disclosure controls and procedures.

The areas that have significant effects on Wajax's financial statements upon the adoption of IFRS include employee benefits, leases and inventories. As well, extensive additional disclosures will be required under IFRS. The \$175 million bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS. Performance targets for years after 2010 for the MTIP may need to be recalibrated to reflect the impact of IFRS. While Wajax will not actually be reporting under IFRS until the first quarter of 2011, it has prepared its opening IFRS statement of financial position and restated its Canadian GAAP financial statements to IFRS for internal purposes, subject to evolving IFRS standards, for each quarter of 2010.

Based on the work that has been completed to date, Wajax has identified the following adjustments to be made on January 1, 2010 to convert its Canadian GAAP balance sheet to its opening IFRS statement of financial position and determined their impacts to be as follows:

Employee Benefits

Upon adopting IFRS, companies may elect to recognize unamortized gains and losses directly to retained earnings.

In addition there are various options for recognizing actuarial gains and losses going forward. Wajax will elect to recognize in retained earnings all cumulative actuarial gains and losses relating to employee pension plans at the date of transition resulting in a decrease to equity of \$2.5 million and an offsetting adjustment to deferred pension asset/liabilities on the balance sheet. Under IFRS Wajax plans to recognize actuarial gains and losses in full in the consolidated statement of comprehensive income in the period in which they occur. Wajax is not expecting a material change to earnings as a result of this change.

Leases

Under IFRS the classification of leases as operating or financing type leases is more qualitative and less prescriptive than the standards under Canadian GAAP. As a result, on transition to IFRS, certain leases which are currently classified as operating leases under Canadian GAAP will be classified as financing leases under IFRS. This will result in the recognition of fixed assets of \$9.5 million and associated lease obligation liabilities of \$9.1 million with a decrease to equity of \$0.4 million on the statement of financial position. Thereafter, earnings will be affected by increased amortization and interest expense and decreased lease costs. Wajax is not expecting a material change to earnings as a result of this change.

Inventory

Under Canadian GAAP, Wajax does not allocate overhead to work in process inventory related to customer work orders. Under IFRS Wajax expects that it will allocate overhead to work in process inventory related to customer work orders resulting in an increase to inventory and opening retained earnings of \$0.5 million. Wajax is not expecting a material change to earnings as a result of this change.

Income Fund Trust Units

There was uncertainty regarding the classification of the Fund's trust units under IFRS. Because the Fund's trust agreement granted the trustees discretion to avoid paying cash distributions by issuing additional trust units in certain situations, Wajax has classified its trust units as equity.

Risks and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment.

Economic conditions/Business cyclicality

Wajax's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing,

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

Commodity prices

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

Manufacturer relationships and product access

Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, 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 each agreement. Although Wajax enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significantly adverse affect on Wajax's results of operations or cash flow.

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

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

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

Quality of products distributed

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

Foreign exchange exposure

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

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

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax's revenue as a result of certain products being imported from the U.S. Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded.

Competition

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

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

The Power Systems business competes with other major diesel engine distributors representing such products as Cummins and Caterpillar. Competition is based primarily on product quality and pricing.

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

Key personnel

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

Litigation and product liability claims

In the ordinary course of its business, Wajax may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Wajax carries product liability insurance, and management believes that this insurance is adequate to protect against potential product liability claims. Not all risks, however, are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving Wajax's assets or operations.

Inventory obsolescence

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

Leverage, credit availability and restrictive covenants

Wajax has a \$175 million bank credit facility which expires December 31, 2011 and management expects to be able to enter into a new credit facility by the end of 2011 (see Liquidity and Capital Resources section above). While management believes this facility will be adequate to fund normal course working capital requirements, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the facility matures. See Financing Strategies section.

The facility contains restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of interest cost incurred and dividends made relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facilities. There can be no assurance that Wajax's assets would be sufficient to repay the facility in full. The bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS effective January 1, 2011. See the Accounting Changes section.

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

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

Credit risk

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

Guaranteed residual value, recourse and buy-back contracts

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

Future warranty claims

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

Maintenance and repair contracts

Wajax frequently enters into long-term maintenance and repair contracts with its customers, whereby Wajax is obligated to maintain certain fleets of equipment at various negotiated performance levels. The length of these contracts varies significantly, often ranging up to five or more years. The contracts are generally fixed price, although many contracts have additional provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If Wajax has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the contracted inflationary adjustments, the contract profitability will be adversely affected. In order to mitigate this risk, Wajax closely monitors the

contracts for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by Wajax to effectively price and manage these contracts could have a material adverse impact on Wajax's business, results of operations or financial condition.

Insurance

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

Information systems and technology

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

Labour relations

Wajax has approximately 2,382 employees. Wajax is a party to thirteen collective agreements covering a total of approximately 348 employees. Of these, one collective agreement covering 6 employees at our Waterous, Thunder Bay, Ontario location expired December 31, 2010. Of the remaining twelve collective agreements, seven expire in 2011, two expire in 2012 and three expire in 2013. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's businesses, results of operations or financial condition.

Growth initiatives, integration of acquisitions and project execution

As part of its long-term strategy, Wajax intends to continue growing its business through a combination of organic growth and strategic acquisitions. Wajax's ability to successfully grow its business will be dependent on a number of factors

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

Government regulation

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

Strategic Direction and Outlook

Net earnings increased 61% in 2010 compared to 2009. As the year progressed, Wajax saw a steady improvement in the vast majority of its end markets coming off the recession in 2009. Looking forward to 2011, management expects overall demand for Wajax's products and services to continue to grow led by the mining and energy sectors, as evidenced by its strengthened backlog position at the end of 2010. However, with the continuing robust worldwide demand for most commodities, the increased requirement for mining equipment has begun to once again push out delivery lead times. That said, with a steadily expanding economy and the successful implementation of Wajax's growth strategies, management expects to generate a further increase in revenue and earnings before income taxes in 2011.

Wajax has just concluded its last year of operation as an income fund as the restrictive provisions of the federal laws governing flow-through entities became effective in 2011. Wajax's conversion to a corporation on January 1, 2011 marked the closing of a very successful five and one half year period of operation as an income fund. During this time Wajax paid total distributions of \$20.68 per unit to unitholders. Management's dedicated focus on cash flow generation will not change with the conversion to a corporation.

Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Reporting

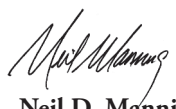
The consolidated financial statements of Wajax Income Fund are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

Wajax maintains a system of internal control designed to provide management with reasonable assurance as to the reliability of financial information and the safeguarding of its assets. Wajax also maintains an internal audit function, which reviews the system of internal control and its application.

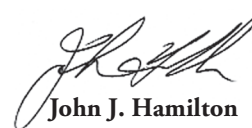
The Audit Committee of the Board, consisting solely of outside directors, meets regularly during the year with management, internal auditors and the external auditors, to review their

respective activities and the discharge of their responsibilities. Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board, which reviews and approves the consolidated financial statements.

Wajax's external auditors, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon.



Neil D. Manning
President and
Chief Executive Officer



John J. Hamilton
Senior Vice President
and Chief Financial Officer

Mississauga, Canada, February 25, 2011

Independent Auditors' Report

To the Shareholders of Wajax Corporation

We have audited the accompanying consolidated financial statements of Wajax Income Fund, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of earnings and accumulated earnings, comprehensive income, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated

financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Wajax Income Fund as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, February 25, 2011

Consolidated Balance Sheets

As at December 31 (Dollars in thousands)

	2010	2009
Assets		
Current		
Cash	\$ 42,954	\$ 9,207
Accounts receivable	135,517	123,537
Inventories (Note 5)	194,752	176,230
Income taxes receivable	–	190
Future income taxes (Note 10)	6,466	3,191
Prepaid expenses	7,244	7,800
	386,933	320,155
Non-Current		
Rental equipment (Note 6)	15,794	16,370
Property, plant and equipment (Note 7)	36,626	36,164
Goodwill (Note 8)	66,335	66,335
Intangible assets (Note 9)	6,637	7,170
Deferred pension asset (Note 18)	3,013	2,013
	128,405	128,052
	\$ 515,338	\$ 448,207
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 207,999	\$ 157,532
Distributions payable to unitholders	12,472	2,491
Income taxes payable	1,599	–
Derivative instrument liability (Note 13)	2,452	–
Bank debt (Note 12)	79,680	–
	304,202	160,023
Non-Current		
Future income taxes (Note 10)	2,108	1,883
Other liabilities (Note 16)	5,221	841
Long-term pension liability (Note 18)	3,118	2,995
Derivative instrument liability (Note 13)	–	2,643
Bank debt (Note 12)	–	79,461
	10,447	87,823
Unitholders' Equity		
Trust units (Note 15)	105,892	105,307
Unit-based compensation (Note 16)	6,426	5,645
Accumulated earnings	90,148	91,642
Accumulated other comprehensive loss (Note 4)	(1,777)	(2,233)
	88,371	89,409
	200,689	200,361
	\$ 515,338	\$ 448,207

Commitments and contingencies (Note 20)

Subsequent events (Note 22)

On behalf of the Board:



Paul E. Gagné
Chairman



Ian A. Bourne
Director

Consolidated Statements of Earnings and Accumulated Earnings

For the years ended December 31 (Dollars in thousands, except per unit data)	2010	2009
Revenue	\$ 1,111,866	\$ 1,007,201
Cost of sales	874,327	804,560
Gross profit	237,539	202,641
Selling and administrative expenses	181,109	165,935
Earnings before interest and income taxes	56,430	36,706
Net interest expense (Note 12)	4,094	4,461
Earnings before income taxes	52,336	32,245
Income tax recovery (Note 10)	(2,683)	(1,984)
Net earnings	\$ 55,019	\$ 34,229
Basic earnings per unit (Note 17)	\$ 3.31	\$ 2.06
Diluted earnings per unit (Note 17)	\$ 3.26	\$ 2.04
Accumulated earnings, beginning of year	\$ 91,642	\$ 98,407
Distributions (Note 14)	(56,513)	(40,994)
Net earnings	55,019	34,229
Accumulated earnings, end of year	\$ 90,148	\$ 91,642

Consolidated Statements of Comprehensive Income

For the years ended December 31 (Dollars in thousands)	2010	2009
Net earnings	\$ 55,019	\$ 34,229
Losses (gains) on derivative instruments designated as cash flow hedges in prior years transferred to cost of inventory or interest expense in the current year, net of tax of (\$109) (2009 – \$80) (Note 4)	938	(767)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax of \$156 (2009 – \$189) (Note 4)	(482)	785
Other comprehensive income	456	18
Comprehensive income	\$ 55,475	\$ 34,247

Consolidated Statements of Cash Flows

For the years ended December 31 (Dollars in thousands)	2010	2009
Operating Activities		
Net earnings	\$ 55,019	\$ 34,229
Items not affecting cash flow:		
Amortization		
Rental equipment	3,568	4,290
Property, plant and equipment	4,498	4,407
Intangible assets	533	719
Deferred financing costs	312	301
Unit-based compensation expense (Note 16)	1,366	1,415
Long-term portion of mid-term incentive plan expense	4,380	23
Non-cash rental expense	103	137
Future income taxes (Note 10)	(2,786)	(258)
Pension expense, net of payments	(964)	(202)
Cash flows from operating activities before changes in non-cash working capital	66,029	45,061
Changes in non-cash working capital:		
Accounts receivable	(11,980)	39,159
Inventories	(17,427)	53,126
Prepaid expenses and other recoverable amounts	556	(2,834)
Accounts payable and accrued liabilities	50,452	(29,259)
Income taxes payable/receivable	1,789	(2,887)
	23,390	57,305
Cash flows from operating activities	89,419	102,366
Investing Activities		
Rental equipment additions	(5,775)	(2,742)
Proceeds on disposal of rental equipment	1,688	2,381
Property, plant and equipment additions	(5,154)	(7,119)
Proceeds on disposal of property, plant and equipment	194	116
Cash flows used in investing activities	(9,047)	(7,364)
Cash flows before financing activities	80,372	95,002
Financing Activities		
Decrease in bank debt	–	(37,000)
Increase in deferred financing costs	(93)	–
Distributions paid (Note 14)	(46,532)	(44,475)
Cash flows used in financing activities	(46,625)	(81,475)
Net change in cash	33,747	13,527
Cash (bank indebtedness) – beginning of year	9,207	(4,320)
Cash – end of year	\$ 42,954	\$ 9,207
Cash flows provided by operating activities includes the following:		
Interest paid	\$ 3,817	\$ 3,934
Income taxes (received) paid	\$ (1,778)	\$ 1,016
Significant non-cash transactions:		
Rental equipment transferred to inventory	\$ 1,095	\$ 1,513

Notes to Consolidated Financial Statements

December 31, 2010 and 2009 (amounts in thousands of dollars, except unit and per unit data)

1. Structure of the Trust And Fund Profile

Wajax Income Fund (the “Fund”) was an unincorporated, open-ended, limited purpose investment trust established under the laws of Ontario pursuant to the 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.

On January 1, 2011, the Fund converted into a Corporation (see Note 23). The use of “Wajax” refers to Wajax Corporation from and after January 1, 2011 and to the Fund for the period prior thereto.

Wajax’s core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 108 branches across Canada. Wajax is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2. Significant Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these Consolidated Financial Statements are as follows:

Principles of consolidation

These Consolidated Financial Statements include the accounts of Wajax Income Fund and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenue is recognized as it is earned in accordance with the following:

- Revenue from the sale of equipment and parts is recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from equipment leases and rentals is recognized on a straight-line basis over the term of the lease or rental.
- Revenue from the sale of internally-manufactured or assembled products is recorded when goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the offering of engineering and technical services to customers is recognized upon performance of contracted-upon services with the customer.
- Revenue for separately priced extended warranty or product maintenance contracts is recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. If insufficient historical evidence exists to support this pattern, then revenue is recognized on a straight-line basis over the term of the contract.
- Revenue from arrangements with multiple deliverables is recognized separately for each unit of accounting.

Provision is made for expected returns, collection losses and warranty costs based on past performance, and for estimated costs to fulfill contractual obligations and other sales-related contingencies depending on the terms of each individual contract.

Derivative financial instruments

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax’s policy is not to utilize derivative financial instruments for trading or speculative purposes.

When Wajax intends to apply hedge accounting it formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Wajax also assesses, at the hedge’s inception as well as at the end of each quarter on a prospective and retrospective basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting has been applied when the hedge is effective.

Wajax purchases foreign exchange forward contracts to fix the cost of certain inbound inventory and the related accounts payable and to hedge certain anticipated foreign currency denominated sales to customers and the related accounts receivable.

Wajax also enters into interest rate swap agreements to fix the interest payable on its floating-rate debt.

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.

Foreign currency transactions and balances

Foreign currency transactions are translated into domestic currency at exchange rates prevailing at the time the transactions occur. Monetary assets and liabilities denominated in foreign currencies, such as bank indebtedness, accounts receivable and accounts payable, are translated into domestic currency at the rate of exchange in effect at the balance sheet date. Exchange gains and losses are included in earnings.

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 to sell.

Rental equipment

Rental equipment assets are recorded at cost and amortized using the declining balance method at a rate of 20% per year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	5%
Equipment and vehicles	declining balance	20% – 30%
Information systems	straight-line	3 – 7 years
Furniture and fixtures	declining balance	20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Impairment of long lived assets

Property, plant and equipment and rental equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Goodwill and intangible assets

Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate goodwill and indefinite life intangible assets might be impaired. To test for impairment, Wajax compares each reporting unit's carrying value to its fair value. Fair value is determined by a calculation of discounted future cash flows and by reference to market valuations, where available. Any impairment in the current year would be recorded as a charge against current earnings.

Finite life intangible assets are amortized on a straight-line basis over their useful lives. Finite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted future cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Financing costs

Transaction costs related to the acquisition or amendment of bank debt are deferred and amortized to interest expense using an effective yield method. Deferred financing costs are included in the carrying amount of the related debt.

Unit-based compensation plans

Wajax has four unit-based compensation plans: the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan for Senior Executives ("MTIP").

Under the UOP, DUP and the TDUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Income Fund units. TDUP rights vest immediately, UOP rights vest over a three year period and DUP rights vest on December 31, 2011. UOP and TDUP rights are settled when the participant is no longer employed by Wajax or one of its subsidiary entities or no longer sits on its board. DUP rights will be settled two years after the participant's retirement, subject to non-competition covenants. Compensation expense is based upon the fair value of the rights at date of grant and is charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity.

The MTIP, which is settled in cash, consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. A portion of the compensation expense for the MTIP varies with the price of Fund units and is recognized over the vesting period with an offsetting adjustment to accrued liabilities.

Earnings per unit

The treasury stock method is used to calculate diluted earnings per unit.

Employees' pension plans

Wajax has defined contribution pension plans for most of its employees. The cost of the defined contribution plans is recognized based on the contributions required to be made each period.

Wajax also has defined benefit plans covering some of its employees. The benefits are based on years of service and the employees' earnings. Defined benefit plan obligations are accrued as the employees render the services necessary to earn the pension benefits. Wajax has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service for defined benefit plans with benefits based on final average earnings and the unit credit method for other defined benefit plans and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service life of active employees.
- Unrecognized net transition assets and prior service costs are amortized over the expected average remaining service life of active employees.
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Income taxes

Income taxes are accounted for using the liability method, whereby future income tax assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted income tax rates for the years in which tax and accounting basis differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rate is recognized in the period during which the change is considered substantively enacted. Valuation allowances are established when necessary to reduce future income tax assets to the amounts more likely than not to be realized.

3. Changes In Accounting Policies

Multiple Deliverable Arrangements

On January 1, 2010, Wajax adopted Emerging Issues Committee Abstract ("EIC") 175, "Multiple Deliverable Revenue Arrangements". EIC-175 provides guidance on identifying and accounting for revenue arrangements with multiple revenue-generating activities. Under EIC-175, when it is determined that the multiple deliverables in an arrangement represent separate units of accounting, an entity should allocate the arrangement consideration among the separate units of accounting based on their selling prices and apply the applicable revenue recognition criteria separately to each unit. This Abstract may be applied prospectively in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. In the event that an entity early adopts and the period of adoption is not the entity's first reporting period in the fiscal year, the Abstract should be applied retroactively from the beginning of the entity's fiscal period.

Wajax has assessed its revenue arrangements with multiple deliverables using the guidance in EIC-175. The impact on earnings from adopting this Abstract was not material.

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. Wajax will be required to report using IFRS beginning January 1, 2011. The areas that have significant effects on Wajax's financial statements upon the adoption of IFRS include employee benefits, leases and inventories. As well, extensive additional disclosure will be required.

As a result of adopting IFRS, the reported values of Wajax's net assets, equity and earnings will change. These changes could impact the calculation of covenants under the current bank credit facility, potentially resulting in an event of default. The bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS effective January 1, 2011.

4. Accumulated Other Comprehensive Income

During 2010, \$829 (\$938 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods (2009 – gain of \$847 (\$767 – net of tax)) were reclassified out of comprehensive loss into cost of inventory or interest expense, while the change in the fair value of the outstanding contracts at December 31, 2010 resulted in a loss of \$638 (\$482 – net of tax) being recorded in other comprehensive loss (2009 – gain of \$974 (\$785 – net of tax)).

As at December 31, 2010, the fair value of the interest rate swap agreement is estimated to be a loss of \$1,120 (2009 – loss of \$2,376), and the currency forward contracts, a loss of \$1,331 (2009 – loss of \$267).

	2010	2009
Balance beginning of year	\$ (2,233)	\$ (2,251)
Losses (gains) on derivatives designated as cash flow hedges in prior year transferred to cost of inventory or interest expense in the current year, net of tax of (\$109) (2009 – \$80)	938	(767)
(Losses) gains on derivatives designated as cash flow hedges, net of tax of \$156 (2009 – \$189)	(482)	785
Accumulated other comprehensive loss	\$ (1,777)	\$ (2,233)

5. Inventories

	2010	2009
Equipment	\$ 88,749	\$ 74,623
Parts	89,996	88,150
Work-in-process	16,007	13,457
Total inventories	\$ 194,752	\$ 176,230

All amounts shown are net of applicable reserves.

Wajax recognized \$789,790 of inventory as an expense which is included in cost of sales during the year (2009 – \$723,150). During the year \$3,959 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2009 – \$2,980).

All of Wajax's inventory is pledged as security for the bank credit facility (Note 12).

6. Rental Equipment

	Cost	Accumulated Amortization	Net Book Value
December 31, 2010	\$ 30,397	\$ 14,603	\$ 15,794
December 31, 2009	\$ 31,548	\$ 15,178	\$ 16,370

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value
Land and buildings	\$ 33,686	\$ 13,143	\$ 20,543
Equipment and vehicles	35,369	27,220	8,149
Information systems	14,911	11,227	3,684
Furniture and fixtures	9,144	7,479	1,665
Leasehold improvements	10,066	7,481	2,585
December 31, 2010	\$ 103,176	\$ 66,550	\$ 36,626
Land and buildings	\$ 32,611	\$ 12,495	\$ 20,116
Equipment and vehicles	34,046	25,595	8,451
Information systems	22,427	19,200	3,227
Furniture and fixtures	9,070	7,201	1,869
Leasehold improvements	10,041	7,540	2,501
December 31, 2009	\$ 108,195	\$ 72,031	\$ 36,164

8. Goodwill

	2010	2009
Goodwill	\$ 66,335	\$ 66,335

During 2010 and 2009, Wajax performed impairment tests of its goodwill and concluded that no impairment existed.

9. Intangible Assets

	2010	2009
Intangible assets – indefinite life		
Product distribution rights	\$ 4,900	\$ 4,900
Intangible assets – finite life (2 to 7 years)		
Customer lists and non-competition agreements, net of accumulated amortization of \$2,565 (2009 – \$2,032)	1,737	2,270
Total intangible assets	\$ 6,637	\$ 7,170

During 2010 and 2009, Wajax performed impairment tests of its intangible assets with an indefinite life and concluded that no impairment existed.

10. Income Taxes

The Fund was a “mutual fund trust” as defined under the Income Tax Act (Canada) and was not taxable on its income to the extent that it was distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all taxable income earned by the Fund was distributed to its unitholders. Accordingly, no provision for income taxes was required on taxable income earned by the Fund that was distributed to its unitholders. The Fund's corporate subsidiaries were subject to tax on their taxable income.

On January 1, 2011 the Fund converted to Wajax Corporation under a plan of arrangement approved by Unitholders on May 7, 2010 under the Canada Business Corporations Act (“CBCA”). The arrangement resulted in the reorganization of the Fund into a corporate structure. Commencing 2011, Wajax Corporation and its subsidiaries are subject to income tax on all of their income at normal corporate tax rates.

The Fund has recognized future income taxes for all of the temporary differences between the carrying amounts and tax values of assets and liabilities at the end of the year. No future tax asset or liability was recorded in 2010 for the temporary differences in respect of the proportion of the Fund's income taxed directly to the unitholders that were expected to reverse before 2011.

The future income tax asset relates to book and tax basis differences for assets and liabilities of Wajax and is comprised of the following amounts:

	2010	2009
Accrued liabilities not currently deductible	\$ 7,193	\$ 3,714
Property, plant and equipment	(1,418)	(1,308)
Deductible goodwill and intangible assets	(2,052)	(1,910)
Deductible deferred financing costs	(38)	(46)
Derivative instrument liability not currently deductible	673	410
Income tax losses available for carryforward	–	446
Net future income tax asset	\$ 4,358	\$ 1,308

Future income taxes are classified as follows:

	2010	2009
Current future income tax asset	\$ 6,466	\$ 3,191
Non-current future income tax liability	(2,108)	(1,883)
Net future income tax asset	\$ 4,358	\$ 1,308

The components of the provision for income taxes are as follows:

	2010	2009
Current	\$ 103	\$ (1,726)
Future	(2,786)	(258)
Income tax recovery	\$ (2,683)	\$ (1,984)

The provision for income taxes on earnings is comprised as follows:

	2010	2009
Combined statutory income tax rate	29.4%	30.7%
Expected income tax expense at statutory rates	\$ 15,387	\$ 9,899
Income of the Fund taxed directly to unitholders	(15,960)	(11,727)
Non-deductible expenses	532	507
Future tax related to changes in tax law and rates	(2,659)	(556)
Other	17	(107)
Income tax recovery	\$ (2,683)	\$ (1,984)

11. Equipment Notes Payable

Wajax has a \$15,000 demand wholesale financing facility. The notes payable bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, are secured by the applicable equipment and are due in full when the applicable equipment is sold.

At December 31, 2010 and 2009 there were no amounts outstanding under the facility.

Interest on the equipment notes payable amounted to nil (2009 – \$280).

12. Bank Debt

The \$175,000 fully secured bank credit facility consists of a \$30,000 non-revolving term portion and a \$145,000 revolving term portion. Bank debt has a maturity date of December 31, 2011 and has been classified as a current liability. Wajax intends to renegotiate the facility prior to its maturity date. Borrowing capacity under the bank credit facility is dependent upon the level of Wajax's inventories on hand and the outstanding trade accounts receivable. At December 31, 2010 borrowing capacity under the bank credit facility was equal to \$175,000. In addition, the bank credit facility contains restrictive covenants including limitations on the payment of cash distributions and the maintenance of certain financial ratios, all of which were met as at December 31, 2010. Wajax will be restricted from the payment of monthly dividends in the event the ratio of debt to earnings before interest, taxes, depreciation and amortization (the "Leverage Ratio") exceeds three times. In addition, monthly dividends 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. Borrowings under the facility bear floating rates of interest at applicable margins over Canadian dollars bankers' acceptance yields, U.S. dollar LIBOR rates or prime rates. Wajax entered into interest-rate swap hedge contracts with two of its lenders, such that in total the interest rate on the \$30,000 non-revolving term portion of the credit facility was fixed at effectively 4.6% plus applicable margins and the interest rate on the \$50,000 revolving term portion was fixed at effectively 1.92% plus applicable margins until expiry of the facility on December 31, 2011. Margins depend on the Leverage Ratio at the time of borrowing and range between 0.75% and 2.50% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and nil% and 1.5% for prime rate borrowings.

	2010	2009
Bank credit facility, repayable December 31, 2011		
Non-revolving term portion	\$ 30,000	\$ 30,000
Revolving term portion	50,000	50,000
	80,000	80,000
Deferred financing costs, net of accumulated amortization of \$1,055 (2009 – \$743)	(320)	(539)
Total bank debt	\$ 79,680	\$ 79,461

Wajax had \$5,115 (2009 – \$4,712) letters of credit outstanding at the end of the year.

Interest on bank debt amounted to \$4,161 in 2010 (2009 – \$4,159).

13. Financial Instruments

Wajax categorizes its financial assets and financial liabilities as follows:

	2010	2009
Held for trading:		
Cash	\$ 42,954	\$ 9,207
Loans and receivables:		
Accounts receivable	135,517	123,537
Other financial liabilities:		
Accounts payable and accrued liabilities	(207,999)	(157,532)
Distributions payable to unitholders	(12,472)	(2,491)
Other liabilities	(5,221)	(841)
Bank debt	(79,680)	(79,461)
Derivative instruments – cash flow hedges:		
Foreign exchange forward contracts	(1,332)	(267)
Interest rate swaps	(1,120)	(2,376)
	\$ (2,452)	\$ (2,643)

Wajax 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. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. Cash was designated as held for trading 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.

The classification of fair value measurements is based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level within which the fair value measurement is categorized is based upon the lowest level of input that is significant to the measurement. Level inputs are as follows:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – significant observable inputs other than quoted prices included in Level 1
- Level 3 – significant unobservable inputs

As of December 31, 2010, all of the inputs used to value Wajax's financial instruments were Level 2, except cash that was designated within Level 1 of the fair value hierarchy. Wajax did not identify any Level 3 measurements. Wajax did not move any instruments between levels of the fair value hierarchy during the twelve months ended December 31, 2010. The fair value of accounts receivable, short-term debt, and accounts payable approximates their recorded values due to the short-term maturities of these instruments.

The following methods and assumptions were used to determine the fair value of each class of assets and liabilities recorded at fair value on the consolidated balance sheets.

Cash (Level 1)

The fair value of cash is determined using quoted market prices in active markets for foreign denominated cash.

Derivative instruments (Level 2)

The fair value of foreign currency forward contracts and interest rate swaps is determined by discounting contracted future cash flows using a discount rate derived from swap curves for comparable assets and liabilities. Contractual cash flows are calculated using a forward price at maturity date derived from observed forward prices.

Credit risk

Wajax 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 Wajax. 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.

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

	2010	2009
Current	\$ 76,183	\$ 56,618
60 days or less overdue	42,164	43,436
More than 60 days overdue	6,761	4,840
Total trade accounts receivable	\$ 125,108	\$ 104,894

The carrying amounts of accounts receivable represent the maximum credit exposure.

Wajax 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:

	2010	2009
Opening balance	\$ 2,117	\$ 2,061
Expense, net of recoveries	2,635	1,664
Written off	(850)	(1,608)
Closing balance	\$ 3,902	\$ 2,117

Liquidity risk

Liquidity risk is the risk that Wajax will encounter difficulty in meeting obligations associated with its financial liabilities. The contractual maturity of bank debt is December 31, 2011. Wajax intends to renegotiate its bank facility prior to its maturity date. At December 31, 2010 Wajax had borrowed \$80,000 and issued \$5,115 of letters of credit for a total utilization of \$85,115 of its \$175,000 bank credit facility and had not utilized any of its \$15,000 equipment financing facility.

Wajax's \$175,000 bank credit facility along with \$15,000 of capacity permitted in addition to the credit facility should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements.

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

Financial risk management policy

Wajax has in place a financial risk management policy that addresses Wajax's financial exposure to currency risk and interest rate risk.

		Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts	USD	\$ 34,147	\$ (1,338)	1.0373	January 2011 to December 2012
Sales contracts	USD	\$ 278	\$ 6	1.0190	April to May 2011

Wajax maintains a hedging policy whereby significant transactional currency risks are usually identified and hedged.

Interest risk

Wajax's borrowing costs are impacted by changes in interest rates. In order to manage this risk to an acceptable level, Wajax may use derivative instruments such as interest rate swap agreements. As at December 31, 2010 Wajax had entered into the following interest rate swaps with its lenders that have effectively fixed the interest rate on \$80,000 or 100% of Wajax's total debt at the combined rate of 2.925%, plus applicable margins:

	Notional Amount	Interest Rate	Fair Value	Maturity
Interest rate swap	\$ 30,000	4.60%	\$ (933)	December 31, 2011
Interest rate swap	\$ 50,000	1.92%	\$ (187)	December 31, 2011

Margins on the debt associated with the interest rate swaps depend on Wajax's Leverage Ratio and range between 0.75% and 2.5%.

14. Distributions Paid

The Fund made monthly cash distributions and made special cash and/or special non-cash distributions at the end of each year

Wajax'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

Wajax enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. The impact of a change in foreign currency relative to the Canadian dollar on Wajax's financial statements of unhedged foreign currency-denominated sales to customers along with the associated receivables and purchases from vendors along with the associated payables would be insignificant. Wajax's commitments to buy and sell foreign currencies are summarized as follows:

to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year were equal to its taxable income for the year. Cash distributions were dependent on, among other things, the cash flow of the Fund.

15. Trust Units

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

	Number of Units	Amount
Balance December 31, 2008	16,585,206	\$104,871
Unit rights plans exercised	18,217	436
Balance December 31, 2009	16,603,423	\$105,307
Unit rights plans exercised	26,021	585
Balance December 31, 2010	16,629,444	\$105,892

During the year, no (2009 – 12,866) trust units were issued to satisfy conditions of the TDUP and 26,021 (2009 – 5,351) trust units were issued to satisfy conditions of the UOP for no cash proceeds.

16. Unit-Based Compensation Plans

Wajax has four unit-based compensation plans: the Wajax Unit Ownership Plan (“UOP”), the Deferred Unit Program (“DUP”), the Trustees’ Deferred Unit Plan (“TDUP”) and the Mid-Term Incentive Plan for Senior Executives (“MTIP”).

a) Unit Rights Plans

Under the UOP, DUP and the TDUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Income Fund units. The UOP and DUP are subject to certain time and performance vesting criteria. The aggregate number of units issuable to satisfy entitlements under these plans may not exceed 1,050,000 units. Compensation expense is based upon the fair value of the rights at the date of grant and is charged to earnings on a straight-line basis over the vesting period, with an offsetting amount to unitholders’ equity. Wajax recorded compensation cost of \$1,366 (2009 – \$1,415) for the year in respect of these plans.

	2010	2009
	Number of Rights	Number of Rights
Unit Ownership Plan		
Outstanding at beginning of year	126,125	109,559
Granted	11,025	21,917
Exercised	(26,021)	(5,351)
Forfeited	(9,130)	–
Outstanding at end of year	101,999	126,125

At the end of the year 93,593 (2009 – 107,390) UOP rights were vested.

b) Mid-Term Incentive Plan for Senior Executives (“MTIP”)

The MTIP, which is settled in cash, consists of an annual grant that vests over three years and is based upon time and performance vesting criteria, a portion of which is determined by the market price of Fund units. Compensation expense varies with the price of Fund units and is recognized over the 3 year vesting period. Wajax recorded compensation cost of \$4,322 (2009 – \$429) for the year and has accrued \$5,221 (2009 – \$841) in respect of the unit-based portion of the MTIP.

17. Earnings Per Unit

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

	2010	2009
Numerator for basic and diluted earnings per unit:		
net earnings	\$ 55,019	\$ 34,229
Denominator for basic earnings per unit – weighted average units	16,613,676	16,596,853
Denominator for diluted earnings per unit:		
weighted average units	16,613,676	16,596,853
effect of dilutive unit rights	260,924	208,998
Denominator for diluted earnings per unit	16,874,600	16,805,852
Basic earnings per unit	\$ 3.31	\$ 2.06
Diluted earnings per unit	\$ 3.26	\$ 2.04

No unit rights were excluded from the above calculations as none were anti-dilutive

	2010	2009
	Number of Rights	Number of Rights
Deferred Unit Program		
Outstanding at beginning of year	21,944	18,722
Granted	2,220	3,222
Outstanding at end of year	24,164	21,944

No DUP rights have vested at the end of the year.

	2010	2009
	Number of Rights	Number of Rights
Trustees’ Deferred Unit Plan		
Outstanding at beginning of year	117,518	83,780
Granted	30,280	46,604
Exercised	–	(12,866)
Outstanding at end of year	147,798	117,518

TDUP rights vest immediately upon grant.

The outstanding aggregate number of units issuable to satisfy entitlements under these plans is as follows:

	2010	2009
	Number of Units	Number of Units
Approved by unitholders	1,050,000	1,050,000
Exercised to date	(46,914)	(20,893)
Rights outstanding	(273,961)	(265,587)
Available for grant	729,125	763,520

18. Employees' Pension Plans

Wajax sponsors five pension plans: the Wajax Limited Pension Plan and the Wajax Pension Plan for Salaried Midwest Employees which, except for a small group of employees collecting long-term disability benefits and a small group of inactive members, have been converted to defined contribution ("DC") plans, the Wajax Pension Plan for Hourly Midwest Employees which is also a DC plan, and two defined benefit plans: the Pension Plan for Executive Employees of Wajax Limited and the Wajax Limited Supplementary Executive Retirement Plan. Wajax also contributes to several union sponsored multi-employer plans for a small number of employees which are accounted for as DC plans.

Wajax uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuations of the pension plans for funding purposes were as of January 1, 2009, June 1, 2009, and January 1, 2010 and the next required valuations will be as of January 1, 2011, January 1, 2012 and June 1, 2012. The following significant actuarial assumptions were employed to determine the periodic pension income and the accrued benefit obligations:

	2010	2009
Expected long-term rate of return on plan assets	7.0%	7.0%
Discount rate – at beginning of year (to determine plan expenses)	5.5% – 5.75%	6.0% – 6.5%
Discount rate – at end of year (to determine accrued benefit obligation)	5.0%	5.5% – 5.75%
Rate of compensation increase	3.0%	3.0%
Estimated average remaining service life	8 –13 years	8 –17 years

Total cash payments

Total cash payments for employee future benefits for 2010, consisting of cash contributed by Wajax to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its DC plans was \$6,429 (2009 – \$5,930).

Wajax's net plan expense is as follows:

	2010	2009
Defined contribution plans		
Current service cost	\$ 4,868	\$ 4,728
Defined benefit plans		
Current service cost	290	377
Interest cost	881	896
Actual return on plan assets	(892)	(1,478)
Actuarial loss	934	962
Difference between expected and actual return on plan assets	89	839
Difference between actuarial gain recognized for the year and actual actuarial gain	(708)	(629)
Amortization of transitional asset	(87)	(111)
Administration expenses	80	80
Net plan expense	\$ 5,455	\$ 5,664

Information about Wajax's defined benefit pension plans, in aggregate, is as follows:

Accrued benefit obligation	2010	2009
Accrued benefit obligation, beginning of year	\$ 15,702	\$ 14,182
Current service cost	290	377
Participant contributions	43	40
Interest cost	881	896
Actuarial loss	934	962
Benefits paid	(831)	(755)
Accrued benefit obligation, end of year	\$ 17,019	\$ 15,702

Plan assets	2010	2009
Fair value of plan assets, beginning of year	\$ 10,972	\$ 9,087
Actual return on plan assets	803	1,478
Actuarial gain	89	–
Participant contributions	43	40
Employer contributions	1,561	1,202
Benefits paid	(831)	(755)
Administration expenses	(80)	(80)
Fair value of plan assets, end of year	\$ 12,557	\$ 10,972

	2010	2009
Plan assets, end of year	\$ 12,557	\$ 10,972
Accrued benefit obligation, end of year	(17,019)	(15,702)
Funded status – plan deficit	\$ (4,462)	\$ (4,730)
Unamortized net actuarial losses	4,165	3,556
Unamortized net transitional asset	(86)	(173)
Accrued benefit liability	\$ (383)	\$ (1,347)

The accrued benefit liability is included in Wajax's balance sheet as follows:

	2010	2009
Deferred pension asset	\$ 3,013	\$ 2,013
Accounts payable and accrued liabilities	(278)	(365)
Long – term pension liability	(3,118)	(2,995)
Accrued benefit liability	\$ (383)	\$ (1,347)

Accrued benefit obligation includes a benefit obligation of \$3,815 (2009 – \$3,456) related to the Wajax Limited Supplemental Executive Retirement Plan that is not funded. This obligation is secured by a letter of credit of \$4,320 (2009 – \$3,915). Plan assets for defined benefit plans are 100% invested in balanced pooled funds. Plan assets for the DC plans are invested according to the directions of the plan members.

19. Capital Management

Objective

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

Management of Capital

Wajax's capital structure is managed such that it maintains a relatively low Leverage Ratio as it distributes a significant portion of its cash flow from operations before changes in working capital.

Wajax's level of interest bearing debt is determined by a combination of its cash flow, the value of its assets required to meet its strategic objectives and the level of its distributions/dividends.

Management currently believes Wajax has adequate debt capacity to fund significant growth capital requirements. However, it may have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls.

There were no changes in Wajax's approach to capital management during the year.

Restrictions on Capital

Wajax's interest bearing debt includes a \$175,000 bank credit facility which expires December 31, 2011 and a \$15,000 demand equipment financing facility. The bank credit facility contains the following covenants:

- Borrowing capacity is dependent upon the level of Wajax's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). As at December 31, 2010 borrowing capacity under the bank credit facility was equal to \$175,000.
- Wajax's ratio of EBITDA to interest expense (the "Interest Coverage Ratio") must not be lower than 3.0 times. As at December 31, 2010 Wajax's Interest Coverage Ratio was 16.22 times.

- Wajax will be restricted from the payment of monthly dividends in the event Wajax's Leverage Ratio exceeds 3.0 times. In addition, monthly dividends 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 December 31, 2010 Wajax's Leverage Ratio was 1.28 times and there were no restrictions on the payment of monthly dividends.

20. Commitments And Contingencies

Operating leases

Wajax leases land, building, vehicles and equipment under a number of operating leases with various terms and renewal options.

The annual payments required under the lease agreements over the next five years and thereafter are as follows:

2011	\$ 19,137
2012	14,607
2013	9,997
2014	7,707
2015	5,839
Thereafter	23,454
	\$ 80,741

Guaranteed residual value and recourse contracts

Wajax has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") and guaranteed a portion of customers' lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2010, Wajax had guaranteed \$5,789 (2009 - \$7,126) of contracts with commitments arising between 2011 and 2014. The commitments made by Wajax for the guaranteed residual value contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. Wajax has recorded a \$461 provision in 2010 (2009 - nil) as an estimate of the financial exposure likely to result from such commitments.

Contingencies

In the ordinary course of business, Wajax is contingently liable for liabilities in varying amounts and for which provisions have been made in these consolidated financial statements when the probability of the liability occurring is determined to be likely and the amount can be reasonably estimated. These liabilities could arise from litigation, environmental matters or other sources. It is not possible to determine the amounts that may ultimately be assessed against Wajax, but management believes that any such amounts would not have a material impact on the business or financial position of Wajax.

21. Segmented Information

Wajax operates through a network of 108 branches in Canada. Wajax's three core businesses are: i) the distribution, modification and servicing of mobile equipment; ii) the distribution, servicing and assembly of industrial components; and iii) the distribution and servicing of power systems.

2010	Mobile Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 555,811	\$ 303,176	\$ 257,292	\$ (4,413)	\$1,111,866
Segment earnings before interest and income taxes	\$ 38,145	\$ 11,970	\$ 19,159	\$ –	\$ 69,274
Corporate costs and eliminations				(12,844)	(12,844)
Earnings before interest and income taxes					\$ 56,430
Interest expense					4,094
Income tax recovery					(2,683)
Net earnings					\$ 55,019
Segment assets excluding goodwill and other intangible assets	\$ 199,631	\$ 103,433	\$ 87,156	\$ –	\$ 390,220
Goodwill	21,341	41,050	3,944	–	66,335
Intangible assets	200	4,937	1,500	–	6,637
Corporate and other assets				52,146	52,146
Total assets	\$ 221,172	\$ 149,420	\$ 92,600	\$ 52,146	\$ 515,338
Asset additions					
Rental equipment	\$ 3,698	\$ –	\$ 2,077	\$ –	\$ 5,775
Property, plant and equipment	1,651	1,963	1,426	114	5,154
	\$ 5,349	\$ 1,963	\$ 3,503	\$ 114	\$ 10,929
Asset amortization					
Rental equipment	\$ 3,202	\$ –	\$ 366	\$ –	\$ 3,568
Property, plant and equipment	1,534	1,487	1,323	154	4,498
Intangible assets	31	502	–	–	533
Deferred financing costs	–	–	–	312	312
	\$ 4,767	\$ 1,989	\$ 1,689	\$ 466	\$ 8,911

		Mobile Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
2009						
Revenue	\$	502,938	\$ 281,010	\$ 226,705	\$ (3,452)	\$1,007,201
Segment earnings before interest and income taxes	\$	30,472	\$ 4,721	\$ 8,805	\$ –	\$ 43,998
Corporate costs and eliminations					(7,292)	(7,292)
Earnings before interest and income taxes						\$ 36,706
Interest expense						4,461
Income tax recovery						(1,984)
Net earnings						\$ 34,229
Segment assets excluding goodwill and other intangible assets	\$	178,117	\$ 98,370	\$ 84,280	\$ –	\$ 360,767
Goodwill		21,341	41,050	3,944	–	66,335
Intangible assets		231	5,439	1,500	–	7,170
Corporate and other assets					13,935	13,935
Total assets	\$	199,689	\$ 144,859	\$ 89,724	\$ 13,935	\$ 448,207
Asset additions						
Rental equipment	\$	2,245	\$ –	\$ 497	\$ –	\$ 2,742
Property, plant and equipment		3,572	2,000	1,409	138	7,119
	\$	5,817	\$ 2,000	\$ 1,906	\$ 138	\$ 9,861
Asset amortization						
Rental equipment	\$	3,945	\$ –	\$ 345	\$ –	\$ 4,290
Property, plant and equipment		1,313	1,413	1,476	205	4,407
Intangible assets		142	577	–	–	719
Deferred financing		–	–	–	301	301
	\$	5,400	\$ 1,990	\$ 1,821	\$ 506	\$ 9,717

Segment assets do not include assets associated with the corporate office, financing or income taxes. Additions to corporate assets, and amortization of these assets, are included in segment eliminations and unallocated amounts.

22. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2010 presentation.

In particular, 2009 amounts recovered from customers or manufacturers in an amount of \$34,076 have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of \$64,983 have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications have no impact on net earnings.

23. Subsequent Events

On January 1, 2011, the Fund converted into a Corporation pursuant to a Plan of Arrangement under the CBCA. Unitholders of the Fund automatically received one common share of Wajax Corporation in exchange for each unit of the Fund. The Corporation will be accounted for as a continuity of interests. The business will continue to be carried on by the same management team in place prior to completion of the conversion.

Summary of Quarterly Data – Unaudited

(Dollars in millions, except per unit data)	2010				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 228.4	\$ 272.3	\$ 294.6	\$ 316.6	\$ 264.0	\$ 248.7	\$ 234.6	\$ 259.1
Net earnings	8.4	12.2	19.4	15.0	9.3	9.8	6.8	8.3
Earnings per unit - Basic	\$ 0.50	\$ 0.74	\$ 1.17	\$ 0.90	\$ 0.56	\$ 0.59	\$ 0.41	\$ 0.50
Earnings per unit - Diluted	0.50	0.72	1.15	0.89	0.55	0.59	0.40	0.50

Eleven Year Summary – Unaudited

For The Years Ended December 31 (Dollars in millions, except per unit data)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Results											
Revenue*	\$ 1,111.9	\$ 1,007.2	\$ 1,213.5	\$ 1,192.3	\$ 1,206.5	\$ 1,049.4	\$ 871.4	\$ 884.0	\$ 908.8	\$ 1,047.6	\$ 1,147.5
Net earnings (loss)*	55.0	34.2	75.8	72.0	71.5	35.6	17.6	9.6	(25.8)	8.7	(9.7)
Interest expense	4.1	4.5	4.7	4.9	4.5	4.6	7.5	10.9	15.8	18.2	20.3
Cash flows before changes in non-cash working capital*	66.0	45.1	87.5	85.0	85.1	46.0	29.5	29.7	9.5	26.2	28.2
Property, plant and equipment – net	5.0	7.0	7.4	4.0	8.3	4.7	3.5	1.4	7.4	16.9	16.3
Rental equipment expenditures – net	4.1	0.4	7.0	8.6	7.9	6.2	5.4	6.6	1.2	0.8	3.3
Amortization	8.9	9.7	9.7	9.9	10.0	10.0	10.3	11.9	12.3	15.2	16.2
Per Unit											
Net earnings (loss) – Basic*	\$ 3.31	2.06	\$ 4.57	\$ 4.34	\$ 4.31	\$ 2.19	\$ 1.12	\$ 0.61	\$ (1.64)	\$ 0.55	\$ (0.62)
Dividends paid	–	–	–	–	–	0.14	0.16	–	–	–	–
Distributions paid	3.40	2.68	4.13	4.36	4.43	1.89	–	–	–	–	–
Equity	12.07	12.07	12.40	11.94	11.89	11.88	12.39	11.38	10.83	13.05	12.49
Financial Position											
Working capital*	\$ 82.7	160.1	\$ 198.8	\$ 147.4	\$ 147.8	\$ 129.8	\$ 153.0	\$ 157.1	\$ 155.0	\$ 241.6	\$ 264.6
Rental equipment	15.8	16.4	21.8	21.7	18.9	17.2	16.4	16.2	14.5	11.3	14.5
Property, plant and equipment – net	36.6	36.2	33.6	29.5	33.3	29.0	28.8	31.9	37.4	64.2	55.1
Long-term debt excluding current portion	–	79.5	116.2	53.9	59.0	33.4	70.9	79.8	98.4	176.4	223.2
Unitholders' equity	200.7	200.4	205.7	198.1	197.2	197.1	195.0	178.7	170.0	204.8	196.1
Total assets*	515.3	448.2	529.6	468.2	500.6	437.9	418.1	409.7	442.0	554.5	623.2
Other Information											
Number of employees	2,382	2,291	2,662	2,551	2,566	2,387	2,357	2,279	2,308	2,601	2,804
Trust units outstanding (thousands)	16,629	16,603	16,585	16,585	16,585	16,582	15,739	15,697	15,697	15,697	15,697
Price range of trust units											
High	\$ 38.50	23.40	\$ 35.75	\$ 37.95	\$ 47.00	\$ 32.45	\$ 14.90	\$ 8.25	\$ 7.25	\$ 6.00	\$ 5.75
Low	21.65	10.95	14.00	24.80	24.60	13.00	7.70	3.10	3.76	4.00	3.25

* 2006, 2005 and 2004 exclude discontinued operations

Corporate Information

Directors

Paul E. Gagné

Chairman, Wajax Corporation
Corporate Director

Edward M. Barrett^{1,2}

Chairman and Co-Chief Executive Officer,
Barrett Corporation

Ian A. Bourne¹

Chairman, Ballard Power Systems, Inc.

Douglas A. Carty^{1,2}

Corporate Director

Robert P. Dexter, Q.C.^{2,3}

Chairman and Chief Executive Officer,
Maritime Travel Inc.

Ivan E. H. Duvar²

Corporate Director

John C. Eby³

Corporate Director

JD Hole^{2,3}

Corporate Director

Neil D. Manning

President and Chief Executive Officer,
Wajax Corporation

Valerie A.A. Nielsen^{1,3}

Corporate Director

Alexander S. Taylor^{1,2}

Group Vice President,
Oil, Gas and Petrochemical Industries
ABB Inc., Canada

1 Member of the Audit Committee

2 Member of the Human Resources and
Compensation Committee

3 Member of the Governance Committee

Honourary Director

H. Gordon MacNeill

Officers

Paul E. Gagné

Chairman

Neil D. Manning

President and Chief Executive Officer

John J. Hamilton

Senior Vice President and
Chief Financial Officer

Brian M. Dyck

Senior Vice President,
Mobile Equipment

Adrian A. Trotman

Senior Vice President,
Industrial Components

Tim W. Zawislak

Senior Vice President,
Power Systems

Linda J. Corbett

Treasurer

Christopher J. Desjardins

General Counsel and Secretary

Head Office

3280 Wharton Way
Mississauga, ON L4X 2C5
Tel: (905) 212-3300
Fax: (905) 212-3350

Shareholder Information

Transfer Agent and Registrar

For information relating to shareholdings,
dividends, lost certificates, changes of
address or estate transfers, please contact
our transfer agent:

Computershare Trust Company of Canada
100 University Ave., 9th Floor
Toronto, ON M5J 2Y1

Tel: (514) 982-7555 or 1-800-564-6253

Fax: (514) 982-7635 or 1-888-453-0330

E-mail: caregistryinfo@computershare.com

Auditors

KPMG LLP

Exchange Listing

Toronto Stock Exchange

Symbol: WJX

Wajax Income Fund Unit

Trading Information

(January 1 – December 31, 2010)

Open	High	Low	Close	Volume of Units Traded
\$ 21.65	\$ 38.5	\$ 21.65	\$ 36.84	10,139,415

Quarterly Earnings Reports

Quarterly earnings for the balance of
2011 are anticipated to be announced
on May 10, August 3 and November 2.

2011 Dividend Dates

Monthly dividends are payable to
shareholders of record on the last business
day of each month and are generally paid
on the 20th day of the following month
or the next following business day.

Investor Information

John Hamilton
Senior Vice President and
Chief Financial Officer
Tel: (905) 212-3300
Fax: (905) 624-6020
E-mail: ir@wajax.com

To obtain a delayed share quote, read
news releases, listen to the latest analysts'
conference call, and stay abreast of other
Corporation news, visit our website at
www.wajax.com.

Annual Meeting

Shareholders are invited to attend the
Annual Meeting of Wajax Corporation,
to be held on the Trading Floor of the
Design Exchange, 234 Bay Street, Toronto-
Dominion Centre, Toronto, Ontario, on
Tuesday, May 10, 2011, at 11:00 a.m.

Vous pouvez obtenir la version française
de ce rapport en écrivant à la Secrétaire,
Corporation Wajax
3280 Wharton Way
Mississauga (ON) L4X 2C5

Operating Units and Branch Listings

Operating Units

Mobile Equipment

Wajax Industries
16745 – 111th Avenue
Edmonton, Alberta T5M 2S4
Brian Dyck,
Senior Vice President,
Mobile Equipment

Power Systems

Wajax Power Systems
10025 – 51st Avenue
Edmonton, Alberta T6E 0A8
Tim Zawislak,
Senior Vice President,
Power Systems

Industrial Components

Kinecor
2200 52nd Avenue
Lachine, Québec H8T 2Y3
Adrian Trotman,
Senior Vice President,
Industrial Components

Branch Listings

Mobile Equipment

Wajax Industries West
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC
Sparwood, BC
Blackfalds, AB
Calgary, AB
Clairmont, AB
Edmonton, AB (2)
Fort McKay, AB
Fort McMurray, AB
Saskatoon, SK
Winnipeg, MB

Wajax Industries Ontario

Hamilton, ON
Kitchener, ON
London, ON
Mississauga, ON
Ottawa, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Windsor, ON

Wajax Industries East

Granby, QC
Lachine, QC
Quebec City, QC
St-Felicien, QC
Moncton, NB
Dartmouth, NS
Pasadena, NL
Wabush, NL

Power Systems

Waterous Power Systems
Fort St. John, BC
Calgary, AB
Edmonton, AB
Fort McMurray, AB
Grande Prairie, AB
Red Deer, AB
Redcliff, AB
Regina, SK
Saskatoon, SK
Winnipeg, MB
Thunder Bay, ON

DDACE Power Systems

Concord, ON
Dorval, QC
Québec City, QC
Saint Nicephore, QC
Val d'Or, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL

Industrial Components

Kinecor West
Fort St. John, BC
Prince George, BC
Surrey, BC
Calgary, AB
Edmonton, AB (2)
Nisku, AB
Regina, SK
Saskatoon, SK
Flin Flon, MB
Thompson, MB
Winnipeg, MB
Yellowknife, NW

Kinecor Central

Belleville, ON
Concord, ON
Espanola, ON
Guelph, ON
Kapusking, ON
London, ON
Mississauga, ON
Sarnia, ON
Sault Ste. Marie, ON
Stoney Creek, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Windsor, ON
Temiscaming, QC

Kinecor East

Ottawa, ON
Chicoutimi, QC
Drummondville, QC
Granby, QC
Lachine, QC
LaSalle, QC
Laval, QC
Longueuil, QC
Noranda, QC
Quebec City, QC
Rimouski, QC
Sept Iles, QC
Sherbrooke, QC
Thetford Mines, QC
Tracy, QC
Trois Rivières, QC
Val d'Or, QC
Valleyfield, QC
Ville d'Anjou, QC
Bathurst, NB
Edmundston, NB
Moncton, NB
Charlottetown, PEI
Dartmouth, NS
Port Hawkesbury, NS
Stellarton, NS
Corner Brook, NL
Mount Pearl, NL
Wabush, NL



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