

**FIRST QUARTER REPORT TO SHAREHOLDERS**  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2011

W A J A X C O R P O R A T I O N 2 0 1 1





**WAJAX CORPORATION**  
**News Release**

**TSX Symbol: WJX**

**WAJAX ANNOUNCES INCREASE IN  
2011 FIRST QUARTER EARNINGS AND RAISES DIVIDEND**

(Dollars in millions, except per share data)

**CONSOLIDATED RESULTS**

**Revenue**  
**Earnings before tax**  
**Net earnings**  
**Basic earnings per share**

**SEGMENTS**

**Revenue – Equipment**  
     - Industrial Components  
     - Power Systems  
**Earnings – Equipment**  
     % margin  
     - Industrial Components  
         % margin  
     - Power Systems  
         % margin

Three Months Ended March 31	
2011	2010
\$303.9	\$227.4
\$18.0	\$8.5
\$12.8	\$8.9
\$0.77	\$0.53
\$151.4	\$108.4
\$80.7	\$72.6
\$72.9	\$47.4
\$11.2	\$7.9
7.4%	7.3%
\$4.4	\$3.1
5.5%	4.3%
\$7.0	\$0.9
9.6%	2.0%

**Toronto, Ontario – May 10, 2011** – Wajax Corporation today announced a substantial increase in 2011 first quarter earnings and raised its monthly dividend.

**First Quarter Highlights**

- Consolidated first quarter revenue of \$303.9 million increased \$76.5 million, or 34% compared to last year. Equipment and Power Systems revenue increased 40% and 54% respectively on significantly higher equipment and parts and service sales, with the majority of the increases attributable to western Canada. Industrial Components revenue increased 11% on stronger demand for all major product categories.
- Net earnings for the quarter were \$12.8 million, or \$0.77 per share, compared to \$8.9 million, or \$0.53 per share recorded in 2010. This represents an increase of almost 45% even though the Corporation is now subject to income tax since its conversion from an income fund as of January 1, 2011. Earnings before tax of \$18.0 million more than doubled last year's level as a result of the significantly higher volumes in all three segments.

Wajax recently announced the acquisition of the assets of Harper Power Products Inc. ("Harper") effective May 2, 2011. Harper, with 2010 annual sales of approximately \$71.0 million, has 10 branches throughout Ontario and will be integrated into Wajax's Power Systems segment. This acquisition secures the Ontario

distribution rights to Detroit Diesel, Mercedes-Benz, MTU and Deutz engines, MTU Onsite Energy generator sets and Allison transmissions. With the exception of Deutz engines, Wajax Power Systems is presently the authorized distributor of these lines in the rest of Canada except for portions of British Columbia. The Harper business will be rebranded as Wajax Power Systems.

In order to continue to strengthen the Wajax identity, the Corporation will rebrand all three of its businesses. Going forward, the Mobile Equipment division will be known as Wajax Equipment, Kinacor will be rebranded Wajax Industrial Components and Waterous, DDAE and Harper will be known as Wajax Power Systems. This change will allow customers, suppliers and employees to more easily identify with the strength of the Wajax name.

The Corporation also announced a \$0.03 per share increase in its monthly dividend. Dividends of \$0.18 per share (\$2.16 annualized) were declared for the months of May, June and July.

Commenting on the first quarter results and the outlook for 2011, Neil Manning, President and CEO, stated:

"With earnings before tax more than doubling, we are very pleased with our 2011 first quarter results. As we had expected, improved results were driven by the robust energy and mining markets in western Canada. However, we were also encouraged by evidence of stronger activity in central and eastern Canada, particularly in forestry, construction and certain other industrial sectors.

We are looking forward to realizing on the potential for additional growth in the Ontario market as a result of the Harper acquisition. With this business well established in the on-highway sector of the market, we intend to further expand its presence in the off-highway and power generation sectors. The acquisition represents a major step towards our strategic objective of becoming a national total power systems solution provider. We expect it will be immediately accretive to our 2011 results.

As well, we believe we have been able to minimize the potential supply disruptions to our Hitachi product line caused by the earthquake and resulting tsunami in Japan. With the inventory levels we decided to carry prior to, and immediately after this disaster, we expect we will have adequate stock of Hitachi parts and construction excavators to meet market demand. However, we are expecting some delays in obtaining mining equipment, which will have some impact on our 2011 revenue for the remainder of the year.

For the balance of 2011, we expect a continuation of the economic activity experienced in the first quarter. Notwithstanding the negative effect of the Hitachi mining equipment supply disruption, we expect pre-tax earnings to continue to be ahead of last year for the balance of 2011."

Wajax Corporation is a leading Canadian distributor and service support provider of mobile equipment, industrial components and power systems. Reflecting a diversified exposure to the Canadian economy, its three distinct core businesses operate through a network of 118 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax will Webcast its First Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Tuesday, May 10, 2011 at 1:30 p.m. ET. To access the Webcast, enter [www.wajax.com](http://www.wajax.com) and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

## **Forward-Looking Statements**

This news release contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions.

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. Undue reliance should not be placed on forward-looking statements, as a number of factors could cause the actual results to differ materially from the expectations expressed in the forward-looking statements. Information on risk factors is included in the Management's Discussion and Analysis for the year ended December 31, 2010 under the heading "Risk and Uncertainties", and in other reports filed by Wajax Income Fund and the Corporation with Canadian securities regulators and available at [www.sedar.com](http://www.sedar.com).

# **Management's Discussion and Analysis – Q1 2011**

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or "Corporation") for the quarter ended March 31, 2011. On January 1, 2011, Wajax adopted International Financial Reporting Standards ("IFRS"). The term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. This MD&A should be read in conjunction with the information contained in the unaudited Condensed Consolidated Financial Statements and accompanying notes for the quarter ended March 31, 2011, which have been prepared using IFRS, the annual Audited Consolidated Financial Statements and accompanying notes of Wajax Income Fund for the year ended December 31, 2010 which were prepared using Canadian GAAP, and the associated MD&A. Information contained in this MD&A is based on information available to management as of May 10, 2011.

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

Additional information, including Wajax's Annual Report and Annual Information Form, are available at [www.sedar.com](http://www.sedar.com).

## **Responsibility of Management and the Board of Directors**

Management is responsible for the information disclosed in this MD&A and the unaudited Condensed 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 unaudited Condensed 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 unaudited Condensed Consolidated Financial Statements and accompanying notes.

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

Wajax has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to Wajax is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. Wajax has designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in internal control over financial reporting that occurred during the Corporation's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

## **Wajax Corporation Overview**

Effective January 1, 2011 Wajax Income Fund converted into a corporation, pursuant to a plan of arrangement under the Canada Business Corporations Act ("CBCA") and the shares of Wajax Corporation began trading on the Toronto Exchange on January 4, 2011 under the symbol WJX.

Wajax's core distribution businesses are engaged in the sale and after-sale parts and service support of mobile equipment, industrial components and power systems, through a network of 118 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, the addition of new or complementary product lines and expansion into new geographic territories 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 IFRS 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](http://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.

## International Financial Reporting Standards

In February 2008, The Accounting Standards Board of the Canadian Institute of Chartered Accountants confirmed that the use of IFRS is required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Corporation's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Accordingly, the Corporation has adopted IFRS effective January 1, 2010 (the IFRS transition date) and has prepared its unaudited Condensed Consolidated Financial Statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Prior to the adoption of IFRS, the financial statements of the Corporation were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The most significant impacts on the Corporation's unaudited Condensed Consolidated Financial Statements resulting from the adoption of IFRS are discussed within the applicable sections of this MD&A and Note 16 of the unaudited Condensed Consolidated Financial Statements.

All comparative figures have been restated in accordance with IFRS, unless otherwise indicated.

## Consolidated Results

	Three months ended March 31	
	2011	2010
Revenue	<b>\$303.9</b>	\$227.4
Gross profit	<b>\$65.9</b>	\$51.6
Selling and administrative expenses	<b>\$46.8</b>	\$42.0
Earnings before finance costs and income taxes	<b>\$19.0</b>	\$9.6
Finance costs	<b>\$1.0</b>	\$1.1
Income tax expense (recovery)	<b>\$5.2</b>	(\$0.4)
<b>Net earnings</b>	<b>\$12.8</b>	\$8.9
<b>Earnings per share</b>		
- Basic	<b>\$0.77</b>	\$0.53
- Diluted	<b>\$0.76</b>	\$0.53

### Revenue

Revenue in the first quarter of 2011 increased 34% or \$76.5 million to \$303.9 million, from \$227.4 million in 2010. Segment revenue increased 40% in Equipment (formerly Mobile Equipment), 11% in Industrial Components and 54% in Power Systems compared to last year.

### Gross profit

Gross profit in the first quarter of 2011 increased \$14.3 million due to the positive impact of higher volumes compared to last year. The gross profit margin percentage for the quarter of 21.7% decreased from 22.7% in 2010 due primarily to a sales mix variance resulting from a higher proportion of equipment sales in both the Equipment and Power Systems segments compared to last year.

### Selling and administrative expenses

Selling and administrative expenses increased \$4.8 million in the quarter compared to last year due mainly to higher personnel costs resulting from an increase in headcount, primarily sales related, and a \$2.1 million increase in annual and mid-term incentive accruals. Selling and administrative expenses as a percentage of revenue decreased to 15.4% in 2011 from 18.5% in 2010.

### Finance costs

Quarterly finance costs of \$1.0 million decreased \$0.1 million compared to last year due to lower interest rates.

### Income tax expense

Effective January 1, 2011, Wajax converted from an income fund to a corporation. As a result, Wajax and its subsidiaries are subject to tax on all of their taxable income from that date forward. The effective income tax rate of 29.0% in the first quarter of 2011 was greater than the Corporation's statutory income tax rate of 27.7% due to certain expenses not fully deductible for tax purposes.

Prior to conversion to a corporation, Wajax was not taxable on its income to the extent it was distributed to its unitholders. The first quarter of 2010 includes a \$0.6 million deferred tax recovery amount reflecting an adjustment of Wajax's taxable temporary differences that are estimated to reverse after 2010, tax effected at rates that will apply in the year the differences are expected to reverse.

### Net earnings

Quarterly net earnings of \$12.8 million, or \$0.77 per share, increased \$3.9 million from \$8.9 million, or \$0.53 per share, in 2010. The positive impact of higher volumes and lower finance costs more than offset the negative impact of higher selling and administrative and income tax expenses compared to last year.

### Comprehensive income

Comprehensive income for the quarter of \$13.2 million increased \$4.9 million from \$8.3 million the previous year due to the \$3.9 million increase in net earnings and a \$0.9 million increase in other comprehensive income compared to last year. The increase in other comprehensive income resulted from an increase in losses on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory or finance costs in the current period and a decrease in losses on derivative instruments designated as cash flow hedges outstanding at the end of the quarter.

### Funded net debt

Funded debt net of cash including obligations under finance leases ("funded net debt") of \$85.5 million as at March 31, 2011 increased \$39.9 million compared to December 31, 2010. The increase resulted mainly from cash used for additional non-cash working capital of \$34.2 million, distributions and dividends paid of \$17.5 million and \$7.5 million disbursed for rental fleet additions, interest payments and other capital additions. The increases were offset by first quarter cash flows from operating activities before changes in non-cash working capital of \$19.7 million.

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.

### Dividends

For the quarter ended March 31, 2011 monthly dividends declared totaled \$0.45 per share and included \$0.15 per share for the months of January, February and March. For the quarter ended March 31, 2010 monthly cash distributions declared were \$0.45 per unit.

On February 25, 2011 Wajax announced a monthly dividend of \$0.15 per share (\$1.80 annualized) for the month of April payable on May 20, 2011 to shareholders of record on April 29, 2011.

On May 10, 2011 Wajax announced monthly dividends of \$0.18 per share (\$2.16 annualized) for each of the months of May, June and July payable on June 20, 2011, July 20, 2011 and August 22, 2011 to shareholders of record on May 31, 2011, June 30, 2011 and July 29, 2011 respectively.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at [www.wajax.com](http://www.wajax.com).

### Backlog

Consolidated backlog at March 31, 2011 of \$215.7 million decreased \$1.6 million, or 1%, from \$217.3 million at December 31, 2010.

## Quarterly Results of Operations

### Equipment

	Three months ended March 31	
	2011	2010
Equipment*	\$87.5	\$57.3
Parts and service	\$63.9	\$51.1
Segment revenue	\$151.4	\$108.4
Segment earnings	\$11.2	\$7.9
Segment earnings margin	7.4%	7.3%

\* Includes rental revenue.

Revenue in the first quarter of 2011 increased \$43.0 million, or 40%, to \$151.4 million from \$108.4 million in the first quarter of 2010. Segment earnings for the quarter increased \$3.3 million to \$11.2 million compared to the first quarter of 2010. The following factors contributed to the Equipment segment's first quarter results:

- Equipment revenue increased \$30.2 million compared to last year. Specific quarter-over-quarter variances included the following:
  - Construction equipment revenue increased \$16.0 million due to increases in new Hitachi excavator sales primarily in western Canada and JCB equipment sales in eastern Canada.
  - Forestry equipment sales increased \$9.1 million attributable to higher market demand in all regions for Tigercat and forestry related Hitachi products.
  - Mining equipment sales increased \$4.0 million resulting from an increase in Hitachi mining equipment revenues in western Canada.
  - Material handling equipment revenue increased \$3.9 million on higher volumes in all regions.
  - Crane and utility equipment revenue decreased \$2.8 million due mainly to lower sales to hydro utility customers in Ontario.
- Parts and service volumes increased \$12.8 million compared to last year due principally to higher mining and construction sector sales in western Canada.
- Segment earnings increased \$3.3 million to \$11.2 million compared to last year as the positive impact of higher volumes outweighed the negative impact of lower equipment gross margins and a \$1.8 million increase in selling and administrative expenses. Selling and administrative expenses increased compared to last year as a result of higher personnel costs, including annual and mid-term incentive accruals, and other sales related expenses.

Backlog of \$97.3 million at March 31, 2011 increased \$3.3 million compared to December 31, 2010.

The segment continues to monitor developments in Japan related to the effects of the March 11, 2011 earthquake and tsunami on the Hitachi Japan supply chain. The Equipment segment is the distributor of Hitachi construction and forestry excavators and mining equipment in Canada. Hitachi equipment and parts distributed by Wajax are manufactured and sourced from various locations in Japan and the United States.

Hitachi announced that it incurred damage to several of its buildings, including the production facilities for large excavators, mining trucks and key component parts. In addition, shipping docks were damaged in the immediate area of these production facilities. While plants have returned to production, damage to the surrounding shipping infrastructure has required alternative arrangements to be made. While the full extent of the impact of the Japanese supply chain disruptions on Wajax's operations is not entirely known, the following is the expected impact on the Equipment segment in 2011:

- Given the Equipment segment's current level of parts inventory, potential supply disruptions related to parts sourced from Japan are not anticipated to have a significant effect on 2011 parts revenue.
- Taking into account the segment's current level of inventory and its reserved factory order positions of mid-sized excavators sourced from the United States, the segment is expecting that any product delays as a result of component shortages from Japan will not have a meaningful impact on its 2011 revenue derived from these products.
- With respect to mining equipment, the segment's current working assumption is that there will be a delay in mining equipment deliveries from Japan of up to six months. The effect on the segment's 2011 revenue is estimated to be a reduction of approximately \$40 million.

## Industrial Components

	Three months ended March 31	
	2011	2010
Segment revenue	<b>\$80.7</b>	\$72.6
Segment earnings	<b>\$4.4</b>	\$3.1
Segment earnings margin	<b>5.5%</b>	4.3%

Revenue of \$80.7 million increased \$8.1 million, or 11%, from \$72.6 million in the first quarter of 2010. Segment earnings increased \$1.3 million to \$4.4 million in the quarter compared to the previous year. The following factors contributed to the segment's first quarter results:

- Bearings and power transmission parts sales increased \$2.5 million compared to last year due mainly to higher mining sector volumes across all regions and increased sales to industrial customers in eastern Canada and Ontario.
- Fluid power and process equipment products and service revenue increased \$5.6 million on improved oil and gas drilling activity in western Canada and higher mining and construction sector volumes in all regions. These increases were somewhat offset by lower revenues to metal processing customers in eastern Canada.
- Segment earnings increased \$1.3 million compared to last year. The positive impact of higher volumes outweighed the negative impact of slightly lower gross margins and a \$0.3 million increase in selling and administrative expenses.

Backlog of \$45.5 million as of March 31, 2011 increased \$10.1 million compared to December 31, 2010.

## Power Systems

	Three months ended March 31	
	2011	2010
Equipment	<b>\$35.4</b>	\$13.6
Parts and service	<b>\$37.5</b>	\$33.8
Segment revenue	<b>\$72.9</b>	\$47.4
Segment earnings	<b>\$7.0</b>	\$0.9
Segment earnings margin	<b>9.6%</b>	2.0%

Revenue in the first quarter increased \$25.5 million, or 54%, to \$72.9 million compared to \$47.4 million in 2010. Segment earnings increased \$6.1 million to \$7.0 million in the quarter compared to the previous year. The following factors impacted quarterly revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada increased \$21.0 million compared to last year. Equipment sales improved \$16.8 million due primarily to higher product sales to oil and gas customers and increased power generation equipment sales. Parts and service revenue increased \$4.2 million mainly as a result of higher sales to off-highway customers, including those in the mining and oil and gas sectors.
- Revenue at the eastern Canada operation, DDACE Power Systems ("DDACE") increased by \$4.5 million compared to 2010. Equipment sales increased \$5.0 million on higher generator set sales and an increase in marine and military sector activity. Parts and service revenue decreased \$0.5 million.

- Segment earnings increased \$6.1 million compared to last year as the positive impact of higher volumes and higher gross margins at Waterous, more than offset a \$1.3 million increase in selling and administrative expenses. Gross margins at Waterous increased due to higher parts and service margins and higher margins resulting from the commissioning of power generation packages delivered in 2010. Selling and administrative expenses increased due to higher personnel costs, including commissions.

Backlog of \$72.9 million as of March 31, 2011 decreased \$15.0 million compared to December 31, 2010 due to equipment deliveries in the first quarter.

Effective May 2, 2011, Wajax purchased the assets of Harper Power Products Inc. ("Harper") the authorized Ontario distributor for Detroit Diesel, Mercedes-Benz, MTU and Deutz engines, MTU Onsite Energy generator sets and Allison transmissions with adjusted 2010 annual revenue of approximately \$71 million. The cash purchase price paid for the assets was \$21.6 million, subject to post closing adjustments.

Wajax Power Systems has assumed the operation of Harper's 10 branches in Ontario located in Toronto, Ottawa, Hamilton, London, Sudbury, Timmins, Kingston, Cornwall, Niagara Falls and Pembroke. With the exception of Deutz engines, Wajax Power Systems is presently the authorized distributor of these lines in the rest of Canada except for portions of British Columbia. This business will be rebranded as Wajax Power Systems.

With Harper's business well established in the on-highway sector of the market, Wajax intends to further expand its presence in the off-highway and power generation sectors in Ontario. This acquisition also represents a major step towards the strategic objective of becoming a national total power systems solution provider.

## Selected Quarterly Information

	2011 <sup>(1)</sup>		2010 <sup>(1)</sup>				2009 <sup>(2)</sup>	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	<b>\$303.9</b>	\$316.4	\$294.4	\$272.0	\$227.4	\$259.1	\$234.6	\$248.7
Net earnings	<b>\$12.8</b>	\$15.0	\$19.6	\$12.2	\$8.9	\$8.3	\$6.8	\$9.8
Net earnings per share								
- Basic	<b>\$0.77</b>	\$0.90	\$1.18	\$0.73	\$0.53	\$0.50	\$0.41	\$0.59
- Diluted	<b>\$0.76</b>	\$0.89	\$1.16	\$0.72	\$0.53	\$0.50	\$0.40	\$0.59

(1) 2011 and 2010 financials are prepared in accordance with IFRS.

(2) 2009 financials are prepared in accordance with Canadian GAAP. In addition, certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts 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](http://www.sedar.com).

## Cash Flow, Liquidity and Capital Resources

### Net Cash Flows used in Operating Activities

While the IFRS adjustments do not impact the Corporation's total cash flows, cash flows from operating activities and cash flows used in investing activities have each been adjusted, by equal and offsetting amounts to reflect the reclassification of rental equipment additions as operating activities.

Net cash flows used in operating activities amounted to \$20.7 million in the first quarter of 2011, compared to \$3.6 million the previous year. The \$17.1 million increase was due mainly to a \$20.0 million increase in non-cash working capital and higher lift truck rental fleet additions in the Equipment segment of \$4.4 million, offset by higher cash flows from operations before changes in non-cash working capital of \$6.7 million.

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

Increase (decrease) in non-cash working capital	Three months ended March 31	
	2011	2010
Trade and other receivables	\$16.7	\$8.3
Inventories	\$10.5	\$5.7
Prepaid expenses	(\$1.3)	\$0.9
Trade and other payables	\$5.3	(\$5.1)
Accrued Liabilities	\$3.3	\$4.2
Provisions	(\$0.2)	\$0.1
Total	\$34.2	\$14.2

Significant components of the changes in non-cash working capital for the quarter ended March 31, 2011 are as follows:

- Trade and other receivables increased \$16.7 million due to higher parts and service activity in all segments.
- Inventories increased \$10.5 million largely as a result of a continued growth in sales activity.
- Trade and other payables decreased \$5.3 million reflecting reductions in the Equipment and Power Systems segments.
- Accrued liabilities decreased \$3.3 million due mostly to the payment of prior year accrued bonus and mid-term incentive accruals.

At March 31, 2011 Wajax had employed \$160.5 million in working capital, exclusive of cash and obligations under finance leases, compared to \$120.7 million at December 31, 2010. The \$39.8 million increase was due primarily to the cash flow factors listed above and a \$10.0 million decrease in dividends payable related to the payment in January 2011 of distributions declared in December 2010 prior to converting from an income fund to a corporation. This was offset by a \$5.5 million increase in current income tax liabilities.

## Investing Activities

Wajax invested a net amount of \$1.0 million on capital asset additions net of disposals in the first quarter of 2011 compared to \$0.6 million the previous year.

## Financing Activities

Wajax used \$18.4 million of cash in financing activities in the first quarter of 2011 compared to \$8.4 million in the first quarter of 2010. Distributions and dividends paid to shareholders totaled \$17.5 million, or \$1.05 per share for the quarter ended March 31, 2011.

Funded net debt of \$85.5 million at March 31, 2011 increased \$39.9 million compared to December 31, 2010. The increase resulted mainly from cash used for additional non-cash working capital of \$34.2 million, distributions and dividends paid of \$17.5 million and \$7.5 million disbursed for rental fleet additions, interest payments and other capital additions. The increases were offset by first quarter cash flows from operating activities before changes in non-cash working capital of \$19.7 million.

Wajax's quarter-end debt-to-equity ratio of 0.42:1 at March 31, 2011 increased from last quarter's ratio of 0.23:1.

## Liquidity and Capital Resources

At March 31, 2011 Wajax had borrowed \$80.0 million and issued \$5.5 million of letters of credit for a total utilization of \$85.5 million of its \$175 million bank credit facility and had no utilization of its \$15 million equipment financing facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At March 31, 2011 borrowing capacity under the bank credit facility was equal to \$175 million.

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.

The \$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.

## 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. Significant derivative financial instrument transactions and those outstanding at the end of the quarter 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 exchange rate on the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at March 31, 2011, Wajax had contracts outstanding to buy U.S.\$26.2 million and to sell U.S.\$4.7 million (December 31, 2010 – to buy U.S.\$34.1 million and to sell U.S.\$0.3 million, March 31, 2010 – to buy U.S.\$33.2 million and €0.3 million and to sell U.S.\$0.03 million). The U.S. dollar contracts expire between April 2011 and December 2012, with a weighted average U.S./Canadian dollar rate of 1.0122.

Wajax measures financial instruments held for trading and not accounted for as hedging items, 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.

The transition to IFRS did not have a material effect on the Corporation's accounting for financial instruments.

## Currency Risk

There have been no material changes to currency risk since December 31, 2010.

## Contractual Obligations

There have been no material changes to contractual obligations since December 31, 2010.

## Off Balance Sheet Financing

The Equipment segment had \$38.0 million (2010 - \$25.1 million) of consigned inventory on-hand from a major manufacturer as at March 31, 2011. 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.

Wajax's off balance sheet financing arrangements, with non-bank lenders, include operating lease contracts in relation to Wajax's long-term lift truck rental fleet in the Equipment segment. At March 31, 2011, the non-discounted operating lease commitment for the rental fleet was \$5.0 million (December 31, 2010 - \$6.0 million).

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 bank credit facility. 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 facility. See the Liquidity and Capital Resources section.

Under IFRS, vehicle leases that were previously classified as operating leases under Canadian GAAP are assessed as financing leases. Assets under finance lease are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The liability is recorded in the statement of financial position and classified between current and non-current amounts. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of return of interest on the remaining balance of the liability.

## Dividends

Dividends to shareholders were declared as follows:

Record Date	Payment Date	Per Share	Amount
January 31, 2011	February 22, 2011	\$0.15	\$2.5
February 28, 2011	March 21, 2011	0.15	2.5
March 31, 2011	April 20, 2011	0.15	2.5
<b>Three months ended March 31, 2011</b>		<b>\$0.45</b>	<b>\$7.5</b>

On February 25, 2011 Wajax announced a monthly dividend of \$0.15 per share (\$1.80 annualized) for the month of April payable on May 20, 2011 to shareholders of record on April 29, 2011.

On May 10, 2011 the Wajax announced monthly dividends of \$0.18 per share (\$2.16 annualized) for each of the months of May, June and July payable on June 20, 2011, July 20, 2011 and August 22, 2010 to shareholders of record on May 31, 2011, June 30, 2011 and July 29, 2011 respectively.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at [www.wajax.com](http://www.wajax.com).

## Productive Capacity and Productive Capacity Management

There have been no material changes to the Corporation's productive capacity and productive capacity management since December 31, 2010.

## 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. The \$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 the 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 March 31, 2011 borrowing capacity under the bank credit facility was equal to \$175 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 inventories on-hand and outstanding trade accounts receivables. For further detail, the bank credit facility is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Share Capital

The shares of Wajax issued are included in shareholders' equity on the balance sheet as follows:

<b>Issued and fully paid shares as at March 31, 2011</b>	<b>Number</b>	<b>Amount</b>
Balance at the beginning of quarter	16,629,444	\$105.9
Rights exercised	-	-
<b>Balance at end of quarter</b>	<b>16,629,444</b>	<b>\$105.9</b>

Wajax has five share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Stock Unit Plan ("DSUP"). SOP, DSP and DDSUP rights are issued to the participants and are settled by issuing Wajax Corporation shares. The cash-settled MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria, a portion of which is determined by the price of the Corporation's shares. Compensation expense for the SOP, DSP and DDSUP 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 adjustment to contributed surplus. Compensation expense for the share-based portions of the MTIP and DSUP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation cost of \$2.2 million for the quarter (2010 - \$0.6 million) in respect of these plans.

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 portions of the MTIP and DSUP 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. Significant accounting estimates include the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets, classification of leases, warranty reserve and measurement of employee benefit obligations. Wajax makes a provision for doubtful accounts when there is evidence that a specific account may become uncollectible. Wajax does not provide a general reserve for bad debts. As conditions change, actual results could differ from those estimates. Critical accounting estimates used by Wajax's management are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

## Accounting Changes

### Transition to International Financial Reporting Standards

The Corporation has adopted IFRS on January 1, 2011 as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Corporation provided information on its transition to IFRS in its 2010 annual MD&A. This information has not changed materially from what was provided.

Note 16 of the condensed consolidated financial statements provides an explanation of the transition to IFRS. In addition, Note 16 provides detailed reconciliations between Canadian GAAP and IFRS of the consolidated income statement and consolidated statement of comprehensive income for the three months ended March 31, 2010 and for the year ended December 31, 2010 and of the consolidated statement of financial position as at March 31, January 1 and December 31, 2010. These reconciliations provide explanations of each major difference.

### New standards and interpretations not yet adopted

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

## 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. 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 which are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). For the period April 1, 2011 to May 10, 2011 there have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2010.

## Outlook

First quarter improved results were driven by the robust energy and mining markets in western Canada. In addition, management was also encouraged by evidence of stronger activity in central and eastern Canada, particularly in forestry, construction and certain other industrial sectors.

Management is looking forward to realizing on the potential for additional growth in the Ontario market as a result of the Harper acquisition. With this business well established in the on-highway sector of the market, Wajax Power Systems intends to further expand its presence in the off-highway and power generation sectors. The acquisition represents a major step towards the segment's strategic objective of becoming a national total power systems solution provider. Management expects it will be immediately accretive to its 2011 results.

As well, management believes it has been able to minimize the potential supply disruptions to its Hitachi product line caused by the earthquake and resulting tsunami in Japan. With the inventory levels the Equipment segment decided to carry prior to, and immediately after this disaster, management expects it will have adequate stock of Hitachi parts and construction excavators to meet market demand. However, the Equipment segment is expecting some delays in obtaining mining equipment, which will have some impact on 2011 revenue for the remainder of the year.

For the balance of 2011, Wajax expects a continuation of the economic activity experienced in the first quarter. Notwithstanding the negative effect of the Hitachi mining equipment supply disruption, management expects pre-tax earnings to continue to be ahead of last year for the balance of 2011.

Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

# WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 2011

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

The attached condensed consolidated financial statements have been prepared by Management of Wajax Corporation and have not been reviewed by the Corporation's auditors.

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F**  
**F I N A N C I A L P O S I T I O N**

As at  
(unaudited, in thousands of Canadian  
dollars)

March 31, 2011    December 31, 2010    January 1, 2010

**ASSETS**

**CURRENT**

Cash		\$ 2,873	\$ 42,954	\$ 9,207
Trade and other receivables		152,176	135,517	123,537
Inventories		208,125	196,460	177,909
Prepaid expenses		5,945	7,244	7,800
		<b>369,119</b>	<b>382,175</b>	<b>318,453</b>

**NON-CURRENT**

Rental equipment	Note 4	19,370	15,794	16,370
Property, plant and equipment	Note 5	45,846	46,090	46,008
Intangible assets		72,853	72,972	73,505
Deferred tax assets	Note 12	5,234	5,277	2,229
Pension asset		307	240	-
		<b>143,610</b>	<b>140,373</b>	<b>138,112</b>
		<b>\$ 512,729</b>	<b>\$ 522,548</b>	<b>\$ 456,565</b>

**LIABILITIES AND SHAREHOLDERS'**

**EQUITY**

**CURRENT**

Trade and other payables		\$ 129,542	\$ 134,832	\$ 83,723
Accrued liabilities		61,001	64,229	66,089
Provisions	Note 6	5,119	4,892	4,859
Dividends payable		2,494	12,472	2,491
Income taxes payable		7,557	2,072	274
Obligations under finance leases	Note 7	3,596	3,677	3,850
Derivative instrument liability		1,989	2,452	-
Bank debt		79,759	79,680	-
		<b>291,057</b>	<b>304,306</b>	<b>161,286</b>

**NON-CURRENT**

Provisions	Note 6	4,477	4,338	3,518
Employee benefits		4,021	4,132	3,699
Derivative instrument liability		-	-	2,643
Bank debt		-	-	79,461
Other liabilities		2,601	5,221	841
Obligations under finance leases	Note 7	5,036	5,227	6,140
		<b>16,135</b>	<b>18,918</b>	<b>96,302</b>

**SHAREHOLDERS' EQUITY**

Share capital	Note 9	105,892	-	-
Trust units	Note 10	-	105,892	105,307
Contributed surplus	Note 11	6,971	6,426	5,645
Retained earnings		94,744	89,411	90,258
Accumulated other comprehensive loss		(2,070)	(2,405)	(2,233)
		<b>92,674</b>	<b>87,006</b>	<b>88,025</b>
Total shareholders' equity		<b>205,537</b>	<b>199,324</b>	<b>198,977</b>
		<b>\$ 512,729</b>	<b>\$ 522,548</b>	<b>\$ 456,565</b>

These condensed consolidated financial statements were approved by the Board of Directors on May 10, 2011.

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D I N C O M E S T A T E M E N T S**

FOR THE THREE MONTHS ENDED MARCH 31  
(unaudited, in thousands of Canadian dollars, except  
per share data)

		<b>2011</b>		<b>2010</b>
Revenue		<b>\$ 303,929</b>	\$	227,440
Cost of sales		<b>238,066</b>		175,829
Gross profit		<b>65,863</b>		51,611
Selling and administrative expenses		<b>46,843</b>		42,037
Earnings before finance costs and income taxes		<b>19,020</b>		9,574
Finance costs		<b>976</b>		1,067
Earnings before income taxes		<b>18,044</b>		8,507
Income tax expense (recovery)	Note 12	<b>5,228</b>		(370)
Net earnings		<b>\$ 12,816</b>	\$	8,877
Basic earnings per share	Note 13	<b>\$ 0.77</b>	\$	0.53
Diluted earnings per share	Note 13	<b>\$ 0.76</b>	\$	0.53

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F**  
**C O M P R E H E N S I V E I N C O M E**

FOR THE THREE MONTHS ENDED MARCH 31  
(unaudited, in thousands of Canadian dollars)

	<b>2011</b>	<b>2010</b>
Net earnings	<b>\$ 12,816</b>	\$ 8,877
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax of \$230 (2010 - \$15)	<b>607</b>	139
Losses on derivative instruments designated as cash flow hedges during the period, net of tax of \$103 (2010 - \$7)	<b>(272)</b>	(706)
Other comprehensive income (loss), net of tax	<b>335</b>	(567)
Total comprehensive income	<b>\$ 13,151</b>	\$ 8,310

**W A J A X   C O R P O R A T I O N**  
**C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F**  
**C H A N G E S   I N   S H A R E H O L D E R S '   E Q U I T Y**

FOR THE THREE MONTHS ENDED MARCH 31, 2011 (unaudited, in thousands of Canadian dollars)	Accumulated other comprehensive income (loss) ("AOCL")						Total
	Share capital (Note 9)	Trust units (Note 10)	Contributed surplus (Note 11)	Retained earnings	Actuarial Gains and Losses	Gains and Losses on Cash Flow Hedges	
January 1, 2011	\$ -	105,892	6,426	89,411	(628)	(1,777)	\$ 199,324
Conversion to corporation	105,892	(105,892)	-	-	-	-	-
Net earnings	-	-	-	12,816	-	-	12,816
<b>Other comprehensive income</b>							
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	-	-	-	-	-	607	607
Losses on derivative instruments designated as cash flow hedges during the period, net of tax	-	-	-	-	-	(272)	(272)
Total other comprehensive income						335	335
Total comprehensive income for the period	-	-	-	12,816	-	335	13,151
Dividends Note 8	-	-	-	(7,483)	-	-	(7,483)
Share-based compensation expense Note 11	-	-	545	-	-	-	545
<b>March 31, 2011</b>	<b>\$ 105,892</b>	<b>-</b>	<b>6,971</b>	<b>94,744</b>	<b>(628)</b>	<b>(1,442)</b>	<b>\$ 205,537</b>

**WAJAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**

FOR THE THREE MONTHS ENDED MARCH 31, 2010 (unaudited, in thousands of Canadian dollars)		Share capital (Note 9)	Trust units (Note 10)	Contributed surplus (Note 11)	Retained earnings	Accumulated other comprehensive income (loss) ("AOCL")	Total
						Gains and Losses on Cash Flow Hedges	
January 1, 2010		\$ -	105,307	5,645	90,258	(2,233)	198,977
Net earnings		-	-	-	8,877	-	8,877
<b>Other comprehensive loss</b>							
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax		-	-	-	-	139	139
Losses on derivative instruments designated as cash flow hedges during the period, net of tax		-	-	-	-	(706)	(706)
Total other comprehensive loss						(567)	(567)
Total comprehensive income for the period					8,877	(567)	8,310
Dividends	Note 8	-			(7,472)		(7,472)
Shared-based compensation expense	Note 11	-		292			292
<b>March 31, 2010</b>		<b>\$ -</b>	<b>105,307</b>	<b>5,937</b>	<b>91,663</b>	<b>(2,800)</b>	<b>200,107</b>

W A J A X C O R P O R A T I O N  
C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F  
C A S H F L O W S

FOR THE THREE MONTHS ENDED MARCH 31  
(unaudited, in thousands of Canadian dollars)

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 12,816	\$ 8,877
Items not affecting cash flow:		
Depreciation and amortization		
Rental equipment	962	849
Property, plant and equipment	1,137	893
Assets under finance lease	720	722
Intangible assets	119	176
Share-based compensation expense	545	292
Other liabilities	(2,620)	424
Non-cash rental expense	30	27
Pension expense, net of payments	(178)	48
Finance costs	976	1,067
Income tax expense (recovery)	5,228	(370)
Cash flows from operating activities before changes in non-cash working capital	19,735	13,005
Changes in non-cash working capital:		
Trade and other receivables	(16,659)	(8,309)
Inventories	(10,521)	(5,720)
Prepaid expenses	1,299	(911)
Trade and other payables	(5,320)	5,111
Accrued liabilities	(3,270)	(4,237)
Provisions	227	(134)
	(34,244)	(14,200)
Cash flows used in operating activities	(14,509)	(1,195)
Rental equipment additions	(5,682)	(1,279)
Provisions	139	(171)
Interest paid	(856)	(999)
Income taxes (paid) received	169	61
Net cash flows used in operating activities	(20,739)	(3,583)
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment additions	(993)	(709)
Proceeds on disposal of property, plant and equipment	38	87
Net cash flows used in investing activities	(955)	(622)
	(21,694)	(4,205)
<b>FINANCING ACTIVITIES</b>		
Increase in transaction costs	-	(83)
Payments under finance leases	(926)	(801)
Dividends paid	(17,461)	(7,472)
Net cash flows used in financing activities	(18,387)	(8,356)
<b>Net change in cash and cash equivalents</b>	<b>(40,081)</b>	<b>(12,561)</b>
Cash (bank indebtedness) – beginning of period	42,954	9,207
Cash (bank indebtedness) – end of period	\$ 2,873	\$ (3,354)

**W A J A X   C O R P O R A T I O N**  
**N O T E S   T O   C O N D E N S E D   C O N S O L I D A T E D**  
**F I N A N C I A L   S T A T E M E N T S**

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MARCH 31, 2011

(unaudited, amounts in thousands of Canadian dollars, except share and per share data)

## **1. COMPANY PROFILE**

Wajax Corporation ("the Corporation") is incorporated in Canada. The address of the Corporation's registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporation's core distribution businesses are engaged in the sale and after-sale parts and service support of mobile equipment, industrial components and power systems, through a network of 118 branches across Canada. The Corporation 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.

In 2010 the Corporation was structured as an unincorporated, open-ended, limited purpose investment trust called Wajax Income Fund ("the Fund"). On January 1, 2011, the Fund converted into a corporation pursuant to a Plan of Arrangement under the Canada Business Corporations Act. Unitholders of the Fund automatically received one common share of the Corporation in exchange for each unit of the Fund. The conversion was accounted for as a continuity of interests. The business continues to be carried on by the same management team that was in place prior to the completion of the conversion.

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These are the Corporation's first International Financial Reporting Standards ("IFRS") condensed consolidated financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated financial statements do not include all of the disclosures required for full annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of Wajax Income Fund for the year ended December 31, 2010 reported under previous Canadian generally accepted accounting principles ("Canadian GAAP"). The significant accounting policies are disclosed in Note 3.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 16. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRS. The Corporation's date of transition to IFRS is January 1, 2010.

### **Basis of measurement**

The condensed consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments and held for trading financial instruments that have been measured at fair value.

### **Functional and presentation currency**

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated and except share and per share data.

## **Judgements and estimation uncertainty**

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and revenues and expenses. Actual results could differ from those estimates. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

In preparing these condensed consolidated financial statements, the significant judgments made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. The more significant judgements and assumptions that have an effect on the amounts recognized in the condensed consolidated financial statements are provision for doubtful accounts, inventory obsolescence, asset impairment, classification of leases, impairment of intangible assets, warranty reserve and measurement of employee benefit obligations.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of consolidation**

These condensed consolidated financial statements include the accounts of Wajax Corporation and its subsidiary entities, which are all wholly-owned.

The financial statements of the subsidiaries are prepared for the same reporting period as the Corporation, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses from intercompany transactions and dividends are eliminated in full on consolidation.

When goodwill arises from a business combination, the Corporation measures it as the fair value of the consideration transferred less the net recognized amounts (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

### **Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable, net of expected returns, rebates and discounts and is recognized as it is earned in accordance with the following:

- Revenue from the sale of equipment and parts is recognized in earnings at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the sale of internally-manufactured or assembled products is recognized in earnings when goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the rental of equipment is recognized in earnings on a straight-line basis over the term of the lease.
- Revenue from construction contracts is recognized using the percentage of completion method, with the stage of completion being assessed by reference to the proportion that contract costs incurred for the work performed to date bears to the estimated total contract costs. An expected loss on the contract is recognized immediately in earnings.
- Revenue from engineering and technical services rendered to customers is recognized in earnings upon performance of contracted-upon services with the customer.
- Revenue for separately priced extended warranty or product maintenance contracts is recognized in earnings 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.

### **Derivative financial instruments**

The Corporation uses derivative financial instruments to hedge its foreign currency and interest rate exposures. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Corporation 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.

In order to manage its exposure to interest rates on variable rate debt, the Corporation has entered into interest rate swaps where it receives variable rate interest and pays fixed rates on a notional amount.

On initial designation of the hedge, the Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationship. This process includes linking all derivatives to specific assets and liabilities on the statement of financial position or to specific firm commitments or forecasted transactions. The Corporation also assesses, both at the inception of the hedged relationship and at the end of each quarter on a retrospective and prospective basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair values or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% - 125% effective. Hedge accounting has been applied when the hedge is effective.

Derivative instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and any changes in fair value are recognized in earnings unless cash flow hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income with any ineffectiveness recognized in earnings.

### **Foreign currency transactions and balances**

Foreign currency transactions are translated into Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated into Canadian dollars at the rate of exchange in effect at the date of the statement of financial position. Foreign currency differences arising on retranslation are recognized in earnings, except for differences arising on retranslation of qualifying cash flow hedges which are recognized in other comprehensive income.

### **Inventories**

Inventories are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined using the weighted average method except where the items are not ordinarily interchangeable, in which case the specific identification method is used.

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

Cost of work-in-progress and 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 transfers from other comprehensive income of gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories.

### **Rental equipment**

Rental equipment assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives using the declining balance method at a rate of 20% per year (for the current and comparative periods), and recognized in earnings over the estimated useful life of rental equipment. The depreciation method and useful lives are reviewed at each annual reporting date and adjusted if appropriate. Rental equipment assets are transferred to inventory at their carrying amount when they cease to be rented and become held for sale.

### **Property, plant and equipment**

#### *Initial recognition and measurement after recognition*

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures directly attributable to the acquisition of the asset.

Depreciation is recognized in current earnings over the estimated useful lives of property, plant and equipment based on the following methods and annual rates for the current and comparative periods:

<b>Asset</b>	<b>Method</b>	<b>Rate</b>
Buildings	declining balance	4% - 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

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted if appropriate. Leased assets are depreciated over the shorter of the lease term and their useful life.

### *Impairment*

The carrying amounts of property, plant and equipment, and rental equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the CGU to which the asset belongs.

An impairment loss is recognized if the carrying amount of the asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in current earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognized in a prior period is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in current earnings.

### **Leases**

As lessor:

Leases in which the Corporation does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. The Corporation's equipment rentals are classified as operating leases with amounts received included in revenue on a straight-line basis over the term of the lease.

As lessee:

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased item to the Corporation. Under finance leases, the asset is capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

## **Intangible assets**

### *Goodwill*

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed at the date of acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is tested annually for impairment, and whenever there is an indication that the CGU to which goodwill has been allocated, may be impaired. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. To test for impairment, the Corporation compares the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU. Recoverable amount is the higher of its value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. Any goodwill impairment in the current year would be recorded as a charge against current earnings. An impairment loss in respect of goodwill is not reversed.

### *Product distribution rights*

Product distribution rights are all acquired through business combinations and are initially recorded at the fair value attributed to these rights. They are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights with minimal cost of renewal. Indefinite life intangible assets are not amortized but are tested annually for impairment, and whenever there is an indication that the intangible asset may be impaired. To test for impairment, the Corporation compares the carrying amount of the intangible asset with the recoverable amount of the intangible asset. Recoverable amount is the higher of its value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. Any impairment in the current year would be recorded as a charge against current earnings. An impairment loss recognized in a prior period is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in current earnings.

### *Customer lists and non-competition agreements*

Customer lists and non-competition agreements are all acquired through business combinations and are initially recorded at their fair values. They are amortized on a straight-line basis over their useful lives which range from 2 to 7 years. They are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment of an intangible asset is recognized in an amount equal to the difference between the carrying value and the recoverable amount of the related intangible asset and would be recorded as a charge against current earnings. Recoverable amount is the higher of its value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. An impairment loss recognized in a prior period is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in current earnings.

## **Cash**

Cash includes cash on hand, demand deposits and bank overdrafts. The Corporation considers cash to be an integral part of the Corporation's cash management. Cash and bank overdrafts are offset and the net amount presented in the statement of financial position when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## Transaction costs

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

## Finance costs

Finance costs comprise interest expense on borrowings and amortization of transaction costs.

## Provisions

Provisions are recognized when there is a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation. The best estimate is the amount that the Corporation would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. The amount has been determined using an expected cash flow approach that reflects a range of possible outcomes that are probability weighted.

### *Warranty claims*

The Corporation provides for customer warranty claims that may not be covered by the manufacturers' standard warranty. Warranties relate to products sold and generally cover a period of 6 months to 5 years. 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 is adjusted as required. The provision is not discounted to reflect the time value of money, because the impact is not considered material.

### *Guaranteed residual value and recourse contracts*

From time to time the Corporation guarantees the resale value of equipment sold ("guaranteed residual value contracts") or guarantees a portion of a customers' lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. A provision is recorded at management's estimate of the amount that will eventually be required to settle the contracts and is adjusted as required. The contracts are not discounted to reflect the time value of money because the impact is not considered material.

### *Environmental*

The Corporation is required to remediate certain environmental contamination at some of its locations. A provision is recorded at management's estimate of the amount of the cost of remediation. The provision is not discounted to reflect the time value of money because the impact is not considered material.

## Financial Instruments

The Corporation 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. Derivative instruments are measured at fair value. 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. Cash was designated as held for trading upon initial recognition.

The Corporation's non-derivative financial assets consist of cash and trade and other receivables. Impairment of trade and other receivables is assessed by performing an analysis of specific accounts. Provisions are maintained for possible credit losses.

## Share-based compensation plans

The Corporation has five share-based compensation plans: the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Stock Unit Plan ("DSUP").

Under the SOP, DSP and the DDSUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Corporation shares for no consideration. The rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its board. Compensation expense is based upon the fair value of the rights at date of grant, adjusted for anticipated forfeitures and is charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus.

The MTIP and DSUP, which are settled in cash, consist of annual grants that vest over three years and are based upon time and performance vesting criteria, a portion of which is determined by the price of the Corporation's shares. The fair value of the amounts payable in respect of the MTIP and DSUP is recognized as compensation expense over the vesting periods with an offsetting adjustment to other liabilities. The liabilities are remeasured at each reporting date and at settlement date based on the market price of the Corporation's shares. Any changes in fair value of the liabilities are recognized as compensation expense.

## **Employee benefits**

### *Defined contribution plans*

The Corporation has defined contribution pension plans for most of its employees. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees.

### *Defined benefit plans*

The Corporation has defined benefit plans covering some of its employees. The Corporation's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on long-term high-quality corporate fixed income investments that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

All actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they occur. Actuarial valuations are generally updated only at the end of the year unless there have been material changes to the plans. Accordingly, there are no actuarial gains or losses to record in the interim period.

## **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **New standards and interpretations not yet adopted**

These condensed consolidated financial statements have been prepared using IFRS currently issued and expected to be effective at the end of the Corporation's first annual IFRS reporting period, December 31, 2011. Accounting policies currently adopted under IFRS are subject to change as a result of either a new standard being issued or as a result of a voluntary change in accounting policy made by the Corporation during 2011. A change in an accounting policy used may result in material changes to the Corporation's reported financial position, results of operations and cash flows.

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

#### **4. RENTAL EQUIPMENT**

During the three months ended March 31, 2011 the Corporation acquired rental equipment with a cost of \$5,682 (2010 - \$1,279). Rental equipment with a carrying amount of \$1,144 (2010 - \$714) ceased to be rented and was classified as held for sale in the normal course of business and transferred to inventory.

#### **5. PROPERTY, PLANT AND EQUIPMENT**

During the three months ended March 31, 2011 the Corporation acquired property, plant and equipment with a cost of \$1,651 (2010 - \$1,101). Assets with a carrying amount of \$58 (2010 - \$178) were disposed of, resulting in a gain on disposal of \$16 (2010 - \$173).

Included in the above are vehicles held under finance leases:

	<b>March 31, 2011</b>	December 31, 2010
Cost	<b>\$ 22,527</b>	<b>\$ 22,006</b>
Accumulated depreciation	<b>13,149</b>	<b>12,542</b>
Carrying amount	<b>\$ 9,378</b>	<b>\$ 9,464</b>

All property, plant and equipment have been pledged as security for bank debt.

## 6. PROVISIONS

	Warranties	Other	Total
Provisions, January 1, 2011	\$ 9,230	\$ -	\$ 9,230
Charge for the period	1,103	-	1,103
Utilized in the period	(737)	-	(737)
Provisions, March 31, 2011	\$ 9,596	\$ -	\$ 9,596
Current	5,119	-	5,119
Non-current	4,477	-	4,477
Total	\$ 9,596	\$ -	\$ 9,596
Provisions, January 1, 2010	\$ 8,199	\$ 178	\$ 8,377
Charge for the period	860	-	860
Utilized in the period	(1,165)	-	(1,165)
Provisions, March 31, 2010	\$ 7,894	\$ 178	\$ 8,072
Current	4,547	178	4,725
Non-current	3,347	-	3,347
Total	\$ 7,894	\$ 178	\$ 8,072

## 7. LEASES

### Operating leases - as lessor

The Corporation rents equipment to customers under rental agreements with varying terms of up to 5 years. The rental agreements are subject to overtime charges when usage exceeds the amount contemplated in the agreements. The rentals may be cancelled subject to a cancellation fee. The future minimum non-cancelable lease payments receivable under the agreements are as follows:

	March 31, 2011
	Present value of minimum lease payments
For the remainder of 2011	\$ 3,769
Between one and five years	4,218
	\$ 7,987

During the three months ended March 31, 2011 the Corporation recognized \$38 (2010 - \$15) of overtime charges under the rental agreements as contingent rent.

### Finance leases - as lessee

The Corporation finances certain vehicles under a finance lease arrangement. The leases have a minimum six month term and are extended on a monthly basis thereafter until terminated. On termination the difference between the lessor's proceeds of disposal and the residual value is charged or refunded to the Corporation as a rental adjustment. Obligations under finance leases are as follows:

				<b>March 31, 2011</b>
				Present value of minimum lease payments
		Payment	Interest	
Less than one year	\$	3,960	364	3,596
Between one and five years		5,588	552	5,036
Total minimum lease payments		9,548	916	8,632
Current		3,960	364	3,596
Non-current		5,588	552	5,036
Total minimum lease payments	\$	9,548	916	8,632

## 8. DIVIDENDS DECLARED

During the three months ended March 31, 2011 the Corporation declared cash dividends of \$0.45 per share, or \$7,483 (March 31, 2010, distributions of \$0.45 per unit or \$7,472).

## 9. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series and without par value.

	Number of Shares		Amount
Balance, January 1, 2011	-		-
Converted on January 1, 2011 from trust units	16,629,444	\$	105,892
Balance, March 31, 2011	16,629,444	\$	105,892

## 10. TRUST UNITS

In 2010 the Corporation was structured as an unincorporated open-ended limited purpose investment trust called "Wajax Income Fund". The issued and fully paid trust units of the Fund were included in shareholders' equity on the statement of financial position and are summarized as follows:

	Number of Units		Amount
Balance, January 1, 2011	16,629,444	\$	105,892
Converted on January 1, 2011 to share capital	16,629,444	\$	105,892
Balance, March 31, 2011	-	\$	-

## 11. SHARE-BASED COMPENSATION PLANS

The Corporation has five share-based compensation plans: the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Stock Unit Plan ("DSUP").

### a) Share Rights Plan

Under the SOP, DSP and the DDSUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Corporation shares for no cash consideration. The rights are settled when the participant is no longer employed by the Corporation or one if its subsidiary entities or no longer sits on its board. The aggregate number of shares issuable to satisfy entitlements under these plans may not exceed 1,050,000 shares. 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 adjustment to contributed surplus. Forfeitures are recognized as they occur. The Corporation recorded compensation cost of \$545 for the three months ending March 31, 2011 (2010 - \$292) in respect of these plans.

<b>Share Ownership Plan</b>	<b>March 31, 2011</b>		<b>March 31, 2010</b>	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of period	101,999	\$ 2,326	126,125	\$ 2,764
Granted in the period	2,948	108	2,403	57
Outstanding at end of period	104,947	\$ 2,434	128,528	\$ 2,821

At March 31, 2011 96,297 SOP rights were vested.

<b>Deferred Share Program</b>	<b>March 31, 2011</b>		<b>March 31, 2010</b>	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of period	24,165	\$ 738	21,944	\$ 673
Granted in the period	4,719	177	419	10
Outstanding at end of period	28,884	\$ 915	22,363	\$ 683

No DSP rights have vested at March 31, 2011.

<b>Directors' Deferred Share Unit Plan</b>	<b>March 31, 2011</b>		<b>March 31, 2010</b>	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of period	147,797	\$ 3,641	117,518	\$ 2,768
Granted in the period	7,701	291	6,806	176
Outstanding at end of period	155,498	\$ 3,932	124,324	\$ 2,944

DDSUP rights vest immediately upon grant.

#### **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 price of the Corporation's shares. Compensation expense varies with the price of the Corporation's shares and is recognized over the 3 year vesting period. The Corporation recorded compensation cost of \$1,617 for the three months ending March 31, 2011 (2010 - \$277) in respect of the share-based portion of the MTIP. At March 31, 2011 the carrying amount of the share-based portion of the MTIP liability was \$4,898 (2010 - \$966).

#### **c) Deferred Stock Unit Plan ("DSUP")**

The DSUP, which is settled in cash, consists of an annual grant that vests over three years and is based upon time and performance vesting criteria. If the vesting criteria for DSUP rights are satisfied, the amount earned is recast as a share-based component. Compensation expense for vested DSUP rights varies with the price of Corporation shares and is recognized immediately in earnings. The rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. The Corporation recorded no compensation cost for the three months ending March 31, 2011 or March 31, 2010 in respect of the share-based portion of the DSUP.

## **12. INCOME TAXES**

On January 1, 2011, a plan of arrangement was completed and Wajax Income Fund was converted to Wajax Corporation. The arrangement resulted in the reorganization of the Fund into a corporate structure and subject to income tax on all of its taxable income at combined federal and provincial rates.

Prior to conversion, 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. For 2010, only the Fund's corporate subsidiaries were subject to tax on their taxable income.

Income tax expense comprises current and deferred tax as follows:

For the three months ended March 31	2011	2010
Current	\$ 5,317	\$ 126
Deferred – Origination and reversal of temporary difference	(135)	74
– Change in tax law and rate	46	(570)
Income tax expense (recovery)	\$ 5,228	\$ (370)

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 27.7% (2010 – 29.4%). The tax rate for the current year is 1.7% lower than 2010 due to the effect of the reduced statutory tax rates. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax is as follows:

For the three months ended March 31	2011	2010
Combined statutory income tax rate	27.7%	29.4%
Expected income tax expense at statutory rates	\$ 4,998	\$ 2,501
Income of the Fund taxed directly to unitholders	-	(2,892)
Non-deductible expenses	199	129
Deferred tax related to changes in tax law and rates	46	(582)
Other	(15)	474
Income tax expense (recovery)	\$ 5,228	\$ (370)

Deferred income tax relates to book and tax basis differences for assets and liabilities and is attributable to the following:

	March 31, 2011	December 31, 2010
Accrued liabilities and provisions not currently deductible	\$ 8,375	\$ 8,258
Property, plant and equipment	(1,447)	(1,418)
Vehicles under finance lease	(173)	(146)
Deductible goodwill and other assets	(2,090)	(2,052)
Deductible future financing costs	(27)	(38)
Derivative instrument liability not currently deductible	546	673
Income tax losses available for carry forward	50	-
Net deferred income tax asset	\$ 5,234	\$ 5,277

### 13. EARNINGS PER SHARE

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

	March 31, 2011	March 31, 2010
Numerator for basic and diluted earnings per share:		
– net earnings	\$ 12,816	\$ 8,877
Denominator for basic earnings per share – weighted average shares	16,629,444	16,603,423
Denominator for diluted earnings per share:		
– weighted average shares	16,629,444	16,603,423
– effect of dilutive share rights	273,893	251,703
Denominator for diluted earnings per share	16,903,337	16,855,126
Basic earnings per share	\$ 0.77	\$ 0.53
Diluted earnings per share	\$ 0.76	\$ 0.53

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

### 14. SEGMENTED INFORMATION

The Corporation operates through a network of 118 branches in Canada in three core businesses which reflect the internal organization and management structure according to the nature of the products and services provided. The Corporation'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.

For the three months ended March 31, 2011						Segment Eliminations and Unallocated Amounts	Total
	Equipment	Industrial Components	Power Systems				
Equipment	\$ 80,500		\$ 35,447	\$		\$	115,947
Parts	44,823	80,724	24,081				149,628
Service	19,086		13,403				32,489
Rental and other	7,034				(1,169)		5,865
<b>Revenue</b>	<b>\$ 151,443</b>	<b>\$ 80,724</b>	<b>\$ 72,931</b>	<b>\$</b>	<b>(1,169)</b>	<b>\$</b>	<b>303,929</b>
Segment earnings before finance costs and income taxes	\$ 11,191	\$ 4,445	\$ 7,014	\$		\$	22,650
Corporate costs and eliminations					(3,630)		(3,630)
Earnings before finance costs and income taxes	11,191	4,445	7,014		(3,630)		19,020
Finance costs					976		976
Income tax expense					5,228		5,228
<b>Net earnings</b>	<b>\$ 11,191</b>	<b>\$ 4,445</b>	<b>\$ 7,014</b>	<b>\$</b>	<b>(9,834)</b>	<b>\$</b>	<b>12,816</b>
<b>Segment assets excluding intangible assets</b>							
Intangible assets	\$ 224,817	106,329	\$ 100,502	\$		\$	431,648
Cash	21,541	45,868	5,444				72,853
Corporate and other assets					2,873		2,873
					5,355		5,355
<b>Total assets</b>	<b>\$ 246,358</b>	<b>\$ 152,197</b>	<b>\$ 105,946</b>	<b>\$</b>	<b>8,228</b>	<b>\$</b>	<b>512,729</b>

**For the three months ended  
March 31, 2010**

					<b>Segment Eliminations and Unallocated Amounts</b>	<b>Total</b>
	<b>Equipment</b>	<b>Industrial Components</b>	<b>Power Systems</b>			
Equipment	\$ 49,745	\$	13,609	\$	\$	63,354
Parts	35,873	72,584	21,263			129,720
Service	15,228		12,569			27,797
Rental and other	7,539				(970)	6,569
<b>Revenue</b>	<b>\$ 108,385</b>	<b>\$ 72,584</b>	<b>\$ 47,441</b>	<b>\$</b>	<b>(970)</b>	<b>\$ 227,440</b>
Segment earnings before finance costs and income taxes	\$ 7,919	\$ 3,147	\$ 944	\$	\$	12,010
Corporate costs and eliminations					(2,436)	(2,436)
Earnings before finance costs and income taxes	7,919	3,147	944		(2,436)	9,574
Finance costs					1,067	1,067
Income tax recovery					(370)	(370)
<b>Net earnings</b>	<b>\$ 7,919</b>	<b>\$ 3,147</b>	<b>\$ 944</b>	<b>\$</b>	<b>(3,133)</b>	<b>\$ 8,877</b>
<b>Segment assets excluding intangible assets</b>	<b>\$ 197,594</b>	<b>\$ 99,893</b>	<b>\$ 88,412</b>	<b>\$</b>	<b>\$</b>	<b>385,899</b>
Intangible assets	21,541	46,344	5,444			73,329
Corporate and other assets					2,747	2,747
<b>Total assets</b>	<b>\$ 219,135</b>	<b>\$ 146,237</b>	<b>\$ 93,856</b>	<b>\$</b>	<b>2,747</b>	<b>\$ 461,975</b>

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

## 15. SUBSEQUENT EVENTS

On May 2, 2011, the Corporation's Power Systems segment acquired the assets of Harper Power Products Inc. ("Harper") for \$21,600, subject to post-closing adjustments. The acquisition price was funded through the Corporation's existing bank lines. This acquisition secures the Ontario distribution rights to certain product lines and complements the segment's existing distribution rights in the rest of Canada, except for portions of British Columbia. Harper had 2010 adjusted annual revenue of approximately \$71,000. The Corporation has not yet fully determined details of goodwill recognized or acquisition-date fair values of net assets acquired. It is anticipated that the amount eventually attributed to goodwill will be 75% deductible for income tax purposes.

## 16. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Corporation has presented its condensed consolidated financial statements in accordance with IFRS. In the year ended December 31, 2010, the Corporation reported under previous Canadian GAAP.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the three months ended March 31, 2011, the comparative information presented in these financial statements for both the three months ended March 31, 2010 and year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Corporation's date of transition).

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's reported financial position, financial performance and cash flows is set out in the tables below and the notes that accompany the tables.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date and, in general, all adjustments to assets and liabilities are taken to retained earnings, unless certain exemptions are elected and certain mandatory exceptions are applied. In preparing its opening IFRS statement of financial position, the Corporation has elected the following exemptions:

***Business combinations before January 1, 2010 (IFRS 3 “Business Combinations”)***

The Corporation has elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2010. In addition, and as a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

***Employee Benefits – actuarial gains and losses (IAS 19 “Employee Benefits”)***

Under IFRS, the Corporation’s accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. At the date of transition, the Corporation has elected to recognize all cumulative actuarial gains and losses in retained earnings.

***Employee Benefits – pension costs (IAS 19 “Employee Benefits”)***

The Corporation has elected to disclose the present value of the defined benefit obligation, fair value of the plan assets, surplus or deficit in the plan, and the experience adjustments arising on the plan assets or liabilities, for each accounting period prospectively from the date of transition to IFRS.

**Reconciliation of Consolidated Income Statement**

<b>FOR THE THREE MONTHS ENDED MARCH 31, 2010</b>	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Revenue	\$ 227,440				\$ 227,440
Cost of sales	176,261			(432)	175,829
Gross profit	51,179			432	51,611
Selling and administrative expenses	42,351	(35)	(279)		42,037
Earnings before finance costs and income taxes	8,828	35	279	432	9,574
Finance costs	1,031		36		1,067
Earnings before income taxes	7,797	35	243	432	8,507
Income tax expense (recovery)	(565)	9	65	121	(370)
Net earnings	\$ 8,362	26	178	311	\$ 8,877

### Reconciliation of Consolidated Statement of Comprehensive Income

FOR THE THREE MONTHS ENDED MARCH 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Net earnings	\$ 8,362	26	178	311	\$ 8,877
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	139				139
Losses on derivative instruments designated as cash flow hedges during the period, net of tax	(706)				(706)
Other comprehensive loss, net of tax	(567)				(567)
Total comprehensive income	\$ 7,795	26	178	311	\$ 8,310

### Reconciliation of Consolidated Income Statement

FOR THE YEAR ENDED DECEMBER 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Revenue	\$ 1,110,888				\$ 1,110,888
Cost of sales	874,327			(29)	874,298
Gross profit	236,561			29	236,590
Selling and administrative expenses	180,131	(140)	(877)		179,114
Earnings before finance costs and income taxes	56,430	140	877	29	57,476
Finance costs	4,094		183		4,277
Earnings before income taxes	52,336	140	694	29	53,199
Income tax expense (recovery)	(2,683)	35	185	9	(2,454)
Net earnings	\$ 55,019	105	509	20	\$ 55,653

# Reconciliation of Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Net earnings	\$ 55,019	105	509	20 \$	55,653
Actuarial losses on pension plans, net of tax		(628)			(628)
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	938				938
Losses on derivative instruments designated as cash flow hedges during the period, net of tax	(482)				(482)
Other comprehensive income (loss), net of tax	456	(628)			(172)
Total comprehensive income	\$ 55,475	(523)	509	20 \$	55,481

# Reconciliation of Consolidated Statement of Financial Position

AS AT MARCH 31, 2010

	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Income Tax IAS 12	IFRS
(In thousands of Canadian dollars)						
<b>ASSETS</b>						
<b>CURRENT</b>						
Trade and other receivables	\$ 131,846					\$ 131,846
Inventories	182,233			2,110		184,343
Prepaid expenses	8,711					8,711
Income taxes receivable	124			(585)	461	-
Deferred tax assets	3,731				(3,731)	-
	326,645			1,525	(3,270)	324,900
<b>NON-CURRENT</b>						
Rental equipment	16,086					16,086
Property, plant and equipment	35,729		9,154			44,883
Intangible assets	73,329					73,329
Deferred tax assets	-	874	(27)		1,870	2,717
Pension asset	2,164	(2,104)				60
	127,308	(1,230)	9,127		1,870	137,075
	\$ 453,953	(1,230)	9,127	1,525	(1,400)	\$ 461,975
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT</b>						
Bank indebtedness	\$ 3,354					\$ 3,354
Trade and other payables	88,468	393				88,861
Accrued liabilities	61,849					61,849
Provisions	4,725					4,725
Distributions payable	2,491					2,491
Income taxes payable	-				461	461
Obligations under finance leases	-		3,704			3,704
	160,887	393	3,704		461	165,445
<b>NON-CURRENT</b>						
Provisions	3,347					3,347
Deferred income taxes	1,861				(1,861)	-
Employee benefits	2,966	841				3,807
Derivative instrument liability	3,203					3,203
Bank debt	79,448					79,448
Other liabilities	1,265					1,265
Obligations under finance leases	-		5,353			5,353
	92,090	841	5,353		(1,861)	96,423
<b>SHAREHOLDERS' EQUITY</b>						
Trust units	105,307					105,307
Contributed surplus	5,937					5,937
Retained earnings	92,532	(2,464)	70	1,525		91,663
Accumulated other comprehensive loss	(2,800)					(2,800)
	89,732	(2,464)	70	1,525		88,863
Total shareholders' equity	200,976	(2,464)	70	1,525		200,107
	\$ 453,953	(1,230)	9,127	1,525	(1,400)	\$ 461,975

# Reconciliation of Consolidated Statement of Financial Position

AS AT JANUARY 1, 2010

	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Income Tax IAS 12	IFRS
(In thousands of Canadian dollars)						
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	\$ 9,207					\$ 9,207
Trade and other receivables	123,537					123,537
Inventories	176,230			1,679		177,909
Income taxes receivable	190			(464)	274	-
Deferred tax assets	3,191				(3,191)	-
Prepaid expenses	7,800					7,800
	320,155			1,215	(2,917)	318,453
<b>NON-CURRENT</b>						
Rental equipment	16,370					16,370
Property, plant and equipment	36,164		9,844			46,008
Intangible assets	73,505					73,505
Deferred tax assets	-	883	38		1,308	2,229
Pension asset	2,013	(2,013)				-
	128,052	(1,130)	9,882		1,308	138,112
	\$ 448,207	(1,130)	9,882	1,215	(1,609)	\$ 456,565
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT</b>						
Trade and other payables	\$ 83,066	657				\$ 83,723
Accrued liabilities	66,089					66,089
Provisions	4,859					4,859
Distributions payable	2,491					2,491
Income taxes payable	-				274	274
Obligations under finance leases	-		3,850			3,850
	156,505	657	3,850	-	274	161,286
<b>NON-CURRENT</b>						
Provisions	3,518					3,518
Deferred income tax	1,883				(1,883)	-
Employee benefits	2,995	704				3,699
Derivative instrument liability	2,643					2,643
Bank debt	79,461					79,461
Other liabilities	841					841
Obligations under finance leases	-		6,140			6,140
	91,341	704	6,140		(1,883)	96,302
<b>SHAREHOLDERS' EQUITY</b>						
Trust units	105,307					105,307
Contributed surplus	5,645					5,645
Retained earnings	91,642	(2,491)	(108)	1,215		90,258
Accumulated other comprehensive loss	(2,233)					(2,233)
	89,409	(2,491)	(108)	1,215		88,025
Total shareholders' equity	200,361	(2,491)	(108)	1,215		198,977
	\$ 448,207	(1,130)	9,882	1,215	(1,609)	\$ 456,565

# Reconciliation of Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2010

	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Income Tax IAS 12	IFRS
(In thousands of Canadian dollars)						
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	\$ 42,954					\$ 42,954
Trade and other receivables	135,517					135,517
Inventories	194,752			1,708		196,460
Prepaid expenses	7,244					7,244
Deferred tax assets	6,466				(6,466)	-
	386,933			1,708	(6,466)	382,175
<b>NON-CURRENT</b>						
Rental equipment	15,794					15,794
Property, plant and equipment	36,626		9,464			46,090
Intangible assets	72,972					72,972
Deferred tax assets	-	1,065	(146)		4,358	5,277
Pension asset	3,013	(2,773)				240
	128,405	(1,708)	9,318		4,358	140,373
	\$ 515,338	(1,708)	9,318	1,708	(2,108)	\$ 522,548
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT</b>						
Trade and other payables	\$ 134,540	292				\$ 134,832
Accrued liabilities	64,229					64,229
Provisions	4,892					4,892
Distributions payable	12,472					12,472
Income taxes payable	1,599			473		2,072
Obligations under finance leases	-		3,677			3,677
Derivative instrument liability	2,452					2,452
Bank debt	79,680					79,680
	299,864	292	3,677	473		304,306
<b>NON-CURRENT</b>						
Provisions	4,338					4,338
Deferred income tax	2,108				(2,108)	-
Employee benefits	3,118	1,014				4,132
Other liabilities	5,221					5,221
Obligations under finance leases	-		5,227			5,227
	14,785	1,014	5,227		(2,108)	18,918
<b>SHAREHOLDERS' EQUITY</b>						
Trust units	105,892					105,892
Contributed surplus	6,426					6,426
Retained earnings	90,148	(2,386)	414	1,235		89,411
Accumulated other comprehensive loss	(1,777)	(628)				(2,405)
	88,371	(3,014)	414	1,235		87,006
Total shareholders' equity	200,689	(3,014)	414	1,235		199,324
	\$ 515,338	(1,708)	9,318	1,708	(2,108)	\$ 522,548

## **Material adjustments to the statement of cash flows for 2010**

Consistent with the Corporation's accounting policy choice under IAS 7 *Statement of Cash Flows*, interest paid and income taxes paid have moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

## **Notes to the reconciliations**

### **(a) Employee Benefits (IAS 19)**

Under Canadian GAAP, the Corporation accounted for post-employment benefits under CICA Handbook Section 3461, Employee Future Benefits, whereby defined benefit pension plan net actuarial gains or losses over 10% of the greater of the benefit obligation and the fair value of the plan assets were amortized to income over the average remaining service life of active employees. Under IAS 19, Employee Benefits, the Corporation has adopted the policy of recognizing actuarial gains and losses in full in other comprehensive income in the period in which they occur.

### **(b) Leases (IAS 17)**

Under Canadian GAAP, the Corporation assessed vehicle leases under CICA Handbook Section 3065, Leases, as operating leases. Under IAS 17, Leases, the Corporation has assessed the vehicle leases as financing leases. Under finance leases the asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The liability is included in the statement of financial position and classified between current and non-current amounts. The interest component of the lease payments is charged to earnings over the period of the lease so as to achieve a constant rate of interest on the remaining balance of the liability.

### **(c) Inventory (IAS 2)**

Under Canadian GAAP, the Corporation did not allocate overhead to work in process inventory relating to customer repair orders. Under IFRS the Corporation allocates overhead to work in process inventory relating to customer repair orders resulting in an adjustment to inventory and opening retained earnings.

### **(d) Income Taxes (IAS 12)**

The effect of applying IAS 12 is that all deferred tax balances are now classified as non-current. No other changes arise from this section. Applicable income tax rates have been applied to all IFRS adjustments.

### **(e) Comparative Information**

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

In particular, 2010 cash discounts provided to customers in an amount of \$237 for the quarter and \$978 for the full year have been reclassified out of selling and administrative expenses into revenue.