FOURTH QUARTER REPORT TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2011

WAJAX CORPORATION 2011

WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES FOURTH QUARTER 2011 EARNINGS AND RAISES MONTHLY DIVIDEND 35%

(Dollars in millions, except per share data)	Three Months Ended December 31		Year Ended December 31	
	2011	2010	2011	2010
CONSOLIDATED RESULTS				
Revenue	**$377.2**	**$316.4**	**$1,377.1**	**$1,110.9**
Earnings before income tax	**$22.5**	**$14.9**	**$87.5**	**$53.9**
Net earnings	**$16.6**	**$15.8**	**$63.8**	**$56.4**
Basic earnings per share	**$1.00**	**$0.95**	**$3.84**	**$3.39**
SEGMENTS				
Revenue - Equipment	**$192.3**	**$159.7**	**$685.8**	**$555.8**
- Industrial Components	**$90.2**	**$77.8**	**$347.5**	**$302.2**
- Power Systems	**$95.5**	**$80.2**	**$347.4**	**$257.3**
Earnings - Equipment	**$14.3**	**$10.8**	**$50.2**	**$39.0**
% margin	*7.5%*	*6.8%*	*7.3%*	*7.0%*
- Industrial Components	**$5.9**	**$2.6**	**$23.1**	**$12.0**
% margin	*6.5%*	*3.4%*	*6.6%*	*4.0%*
- Power Systems	**$7.9**	**$6.5**	**$32.9**	**$19.2**
% margin	*8.3%*	*8.1%*	*9.5%*	*7.5%*

Toronto, Ontario – March 6, 2012 – Wajax Corporation ("Wajax" or the "Corporation") today announced its 2011 fourth quarter earnings and increased its monthly dividend 35% to $0.27 per share.

Fourth Quarter Highlights

- Consolidated fourth quarter revenue of $377.2 million increased $60.8 million, or 19%, compared to last year. Quarterly revenue included $19.9 million attributable to the May 2, 2011 acquisition of Ontario based Harper Power Products ("Harper"). Gains in the mining, energy, forestry, construction and industrial sectors accounted for the majority of the balance of the increase. The Equipment segment's revenue increased 20% on stronger demand for almost all major product categories. Power Systems revenue increased 19% as a result of the Harper acquisition and Industrial Components sales rose 16% on higher revenue from energy, mining and industrial customers, with particular strength in western Canada.

- Earnings before tax of $22.5 million increased more than 50% over last year's level as a result of the higher volumes, while disciplined control over selling and administrative costs was maintained in all three segments. Net earnings for the quarter of $16.6 million, or $1.00 per share, were higher than the $15.8 million, or $0.95 per share, recorded in 2010 in spite of Wajax being an income fund at that time and not subject to income taxes.

- Consolidated backlog of $267.7 million at December 31, 2011 increased $3.9 million from $263.8 million at September 30, 2011.

- Funded net debt at December 31, 2011 of $63.7 million decreased $33.8 million compared to September 30, 2011 as net cash flows generated from operating activities exceeded dividends paid, investing activities and finance lease payments.

The Corporation announced a 35%, or $0.07 per share increase in its monthly dividend beginning in March 2012. Dividends of $0.27 per share were declared for March and April. Commencing in 2012, the Corporation has established an objective of declaring annual dividends equal to at least 75% of earnings subject to the Corporation's financial position, economic outlook and capital requirements for growth including acquisitions.

Neil Manning retired as President and Chief Executive Officer and a director of Wajax on March 5, 2012. His successor, Mark Foote, assumed the role of President and Chief Executive Officer, and was appointed a director, on March 5, 2012. Mark has extensive experience in distribution, supply chain management and logistics. Most recently, he served as the President and Chief Executive Officer of Zellers, and prior to that, was the President and Chief Merchandising Officer at Loblaws Companies. Mark also had a career of more than 20 years at Canadian Tire Corporation, including five years as President, Canadian Tire Retail. As well, effective December 13, 2011, Richard Plain was appointed to the position of Senior Vice President, Wajax Power Systems subsequent to the departure of Tim Zawislak. Prior to his appointment, Richard held the position of Vice President Sales and Marketing since joining Wajax Power Systems in 2009 and brings 18 years of experience in the power systems and equipment distribution businesses in western Canada.

Outlook

In 2011 Wajax achieved record revenue and earnings before income tax of $1.38 billion and $87.5 million respectively. Year-over-year revenue increased 24% while earnings before income tax increased 62%. The earnings before income tax comparison is appropriate since 2011 was the first year after conversion from an income fund when Wajax was effectively not subject to income tax. This performance was driven by a stronger Canadian economy and the execution of the Corporation's strategic initiatives, including the Harper acquisition. Additionally, all three businesses maintained disciplined control over selling and administrative costs. With its Canada-wide branch infrastructure and diverse product lines, Wajax's business has exposure to virtually all of the goods producing sectors of the Canadian economy. Stronger sectors of the economy aiding the Corporation's revenue growth in 2011 were energy, mining, construction and forestry, primarily in western Canada.

Looking forward to 2012, management expects growth in the Canadian economy to be more modest than that experienced in 2011. This is a result of the continuing high value of the Canadian dollar and the dampening effect of the European debt crisis and the slowing Chinese economy on world economic activity. However, we expect global demand for commodities to remain relatively strong, which should bode well for Canada's mining and energy sectors, particularly in western Canada. The revenue implication from phasing out the LeTourneau mining equipment line at the end of April, is expected to be mitigated by additional Hitachi mining equipment sales as Hitachi's manufacturing operations have recovered from the effects of the March 2011 Japanese earthquake and tsunami. As well, management has outlined growth initiatives that are expected to result in increased market share for key product lines, the addition of new products and expansion into new geographic territories. As a result, management expects continued growth in revenue and earnings in 2012, but at a more modest pace than experienced in 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 117 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Cautionary Statement Regarding Forward Looking Information

This news release contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, “forward-looking statements”). These forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “anticipates”, “intends”, “predicts”, “expects”, “is expected”, “scheduled”, “believes”, “estimates”, “projects” or “forecasts”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation’s ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this news release are made as of the date of this news release, reflect management’s current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this news release includes forward looking statements regarding, among other things, our expectations for the Canadian economy in 2012, the global demand for commodities and the associated impact on the Canadian mining and energy sectors, our revenue and earnings outlook, planned strategic and growth initiatives and their expected outcomes, and our objective with respect to the future payment of dividends. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation 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. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation’s business may be found in our Annual Information Form for the year ended December 31, 2011, filed on SEDAR.

Management's Discussion and Analysis – 2011

The following management's discussion and analysis ("MD&A") provides a review of the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or "Corporation") for the year ended December 31, 2011. On January 1, 2011, Wajax adopted International Financial Reporting Standards ("IFRS"). The term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. The following discussion should be read in conjunction with the Corporation's Consolidated Financial Statements and accompanying notes. Information contained in this MD&A is based on information available to management as of March 6, 2012.

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

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

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. Wajax's Board of Directors has approved this MD&A and the 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 Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

As at December 31, 2011 Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2011 Wajax's management, under the supervision of its CEO and CFO, had designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

Wajax has not yet completed the design of DC&P and ICFR related to the May 2, 2011 acquisition of the assets of Harper Power Products Inc. ("Harper"). The Harper operation has had revenues of approximately $49.3 million since the acquisition. Wajax anticipates that the evaluation of the design of DC&P and ICFR related to Harper will be completed prior to June 2012, at which time Harper will be fully integrated with the existing Power Systems segment's control environment.

As at December 31, 2011 Wajax's management, under the supervision of its CEO and CFO, had evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. With the exception of DC&P and ICFR related to the Harper operation discussed above, the CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2011.

Other than the integration of the Harper acquisition discussed earlier, there was no change in Wajax's ICFR that occurred during the fourth quarter of 2011 that has materially affected, or is reasonably likely to materially affect, Wajax'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 Stock 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 117 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 aftermarket support services and expansion into new Canadian geographic territories, either organically or through acquisitions**.**

Commencing in 2012, the Corporation has established an objective of declaring annual dividends equal to at least 75% of earnings subject to the Corporation's financial condition, economic outlook and capital requirements for growth including acquisitions. The Corporation's intention is to continue paying dividends on a monthly basis.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A includes forward looking statements regarding, among other things, our expectations for the Canadian economy in 2012, the global demand for commodities and the associated impact on the Canadian mining and energy sectors, our revenue and earnings outlook, our plans and expectations for revenue and earnings growth, planned marketing, strategic, operational and growth initiatives and their expected outcomes, our current and future plans regarding the expansion of our business, the addition of new product offerings and expansion into new geographic territories, and our objective with respect to the future payment of dividends. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2011, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation 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. Readers 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.

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 IFRS transition date is January 1, 2010 and has prepared its Consolidated Financial Statements and accompanying notes for the year ending December 31, 2011, with comparatives, in accordance with IFRS as published by the International Accounting Standard Board ("IASB"). Prior to the adoption of IFRS, the financial statements of the Corporation were prepared in accordance with Canadian GAAP.

The most significant impacts on the Corporation's Consolidated Financial Statements resulting from the adoption of IFRS are discussed within the applicable sections of this MD&A and Note 29 of the Consolidated Financial Statements.

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

Consolidated Results

Year ended December 31	**2011**	2010
Revenue	**$1,377.1**	$1,110.9
Gross profit	**$292.4**	$237.9
Selling and administrative expenses	**$200.3**	$179.6
Earnings before finance costs and income taxes	**$92.1**	$58.2
Finance costs	**$4.6**	$4.3
Earnings before income taxes	**$87.5**	$53.9
Income tax expense (recovery)	**$23.7**	($2.5)
Net earnings	**$63.8**	$56.4
Earnings per share		
- Basic	**$3.84**	$3.39
- Diluted	**$3.77**	$3.34

Pie Charts – Revenue by Geographic Region

	2011	2010
Western Canada	54%	49%
Eastern Canada *	29%	34%
Ontario	17%	17%

* Includes Quebec and the Atlantic provinces.

Pie Charts – Revenue by Segment

	2011	2010
Equipment	50%	50%
Industrial Components	25%	27%
Power Systems	25%	23%

Pie Charts – EBIT by Segment

	2011	2010
Equipment	47%	56%
Industrial Components	22%	17%
Power Systems	31%	27%

Pie Charts – Revenue by Market

	2011	2010
Industrial/Commercial	16%	16%
Construction	14%	10%
Oil and Gas	13%	10%
Oil Sands	11%	12%
Mining	11%	13%
Transportation	9%	11%
Forestry	9%	10%
Government & Utilities	6%	7%
Metal Processing	4%	5%
Other	7%	6%

Revenue

Revenue in 2011 of $1,377.1 million increased 24%, or $266.2 million, from $1,110.9 million in 2010 and included $49.3 million of revenue from the acquisition of the assets of Harper by the Power Systems segment effective May 2, 2011. Equipment segment revenue increased 23%, or $130.0 million, due mainly to stronger market demand for construction, forestry, mining and material handling equipment and related parts and service volumes. Industrial Components segment revenue increased 15%, or $45.3 million, attributable to improved oil and gas drilling activity in western Canada and higher mining and industrial sector volumes in all regions. Power Systems segment revenue increased 35%, or $90.1 million, due to the acquisition of Harper and an increase in equipment and parts and service revenues, mostly to off-highway oil and gas customers in western Canada, that more than exceeded a reduction in eastern Canada (Quebec and the Atlantic provinces) volumes.

Gross profit

Gross profit increased $54.5 million, or 23%, in 2011 due to the positive impact of higher volumes compared to last year. The gross profit margin percentage decreased slightly to 21.2% from 21.4% last year as the negative sales mix variance resulting from a higher proportion of equipment sales was partially offset by increased equipment margins.

Selling and administrative expenses

Selling and administrative expenses increased $20.7 million in the year. This was due primarily to increased personnel costs including a $2.6 million increase in annual and mid-term incentive accruals, $7.5 million of selling and administrative expenses relating to Harper and higher sales related and occupancy costs. These increases were offset partially by lower bad debt expenses in the Equipment segment. Selling and administrative expenses as a percentage of revenue decreased to 14.5% in 2011 from 16.2% in 2010.

Finance costs
Finance costs of $4.6 million increased $0.3 million compared to 2010 due to the impact of higher funded net debt, mainly attributable to the acquisition of Harper on May 2, 2011. Funded net debt includes bank debt and obligations under finance leases, net of cash.

Earnings before income taxes
Earnings before income taxes increased $33.6 million in the year. The positive impact of higher volumes more than offset the slightly lower gross profit margin percentage, increased selling and administrative costs and higher finance costs compared to 2010.

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 2011 effective income tax rate of 27.1% was less than the Corporation's statutory income tax rate of 27.7%. The positive impact of partnership income generated in 2011 which will be subject to tax in 2012 at a lower tax rate, more than offset the negative impact of expenses not deductible for tax purposes.

Net earnings
Net earnings for the year ended December 31, 2011 increased $7.4 million to $63.8 million, or $3.84 per share, from $56.4 million, or $3.39 per share, in 2010. The $33.6 million increase in earnings before income taxes, was partially offset by a $26.2 million increase in income tax expense.

Comprehensive income
Comprehensive income for the year ended December 31, 2011 of $62.9 million increased $6.7 million from $56.2 million the previous year due to higher net earnings of $7.4 million, offset partially by a $0.7 million increase in other comprehensive loss. The increase in other comprehensive loss resulted from increased actuarial losses on pension plans and a decrease in losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs in the current year, offset partially by gains on derivative instruments designated as cash flow hedges outstanding at the end of the year.

Funded net debt
Funded net debt of $63.7 million at December 31, 2011 increased $18.1 million compared to December 31, 2010. This increase was mainly a result of net cash flows generated from operating activities of $61.2 million being less than the $29.2 million of cash flows used in investing activities including $23.2 million used for the Harper acquisition, distributions and dividends of $44.7 million, finance lease payments of $3.5 million and debt facility renewal costs of $1.1 million. As a result, Wajax's year-end funded net debt-to-equity ratio of 0.28:1 increased from last year's ratio of 0.23:1.

On August 12, 2011, Wajax amended and extended the term of its $175 million bank credit facility to August 12, 2016 from December 31, 2011. The terms of the fully secured facility, comprised of a $30 million non-revolving term portion and a $145 million revolving term portion, are no more restrictive than in the previous facility. See Liquidity and Capital Resources section.

Dividends
For the twelve months ended December 31, 2011 monthly dividends declared totaled $2.14 per share. For the twelve months ended December 31, 2010 monthly cash distributions declared as an income fund were $3.40 per unit.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at www.wajax.com.

Backlog
Consolidated backlog at December 31, 2011 of $267.7 million increased $50.4 million, or 23%, from $217.3 million at December 31, 2010. Increases in the Equipment segment, due mainly to higher mining and construction equipment orders, and increases in the Industrial Components segment more than offset the decreases in the Power Systems segment. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning.

CEO Succession
Neil Manning retired as President and CEO and a director of Wajax on March 5, 2012. His successor, Mark Foote, assumed the role of President and CEO, and was appointed a director on March 5, 2012. Mark has extensive experience in distribution, supply chain management and logistics. Most recently, he served as the President and Chief Executive Officer of Zellers, and prior to that, was the President and Chief Merchandising Officer at Loblaws Companies. Mark also had a career of more than 20 years at Canadian Tire Corporation, including five years as President, Canadian Tire Retail.

Results of Operations

Equipment

For the year ended December 31	**2011**	2010
Equipment*	**$428.0**	$332.4
Parts and service	**$257.8**	$223.4
Segment revenue	**$685.8**	$555.8
Segment earnings	**$50.2**	$39.0
Segment earnings margin	***7.3%***	*7.0%*

* Includes rental and other revenue.

Revenue by Product Type 2011 versus 2010

Market	2011	2010
Construction	33%	30%
Forestry	13%	12%
Mining/Oil sands	31%	30%
Material Handling	16%	17%
Crane & Utility	7%	11%

Revenue increased 23%, or $130.0 million, to $685.8 million in 2011 from $555.8 million in 2010. Segment earnings increased $11.2 million to $50.2 million in 2011 compared to $39.0 million in 2010. The following factors contributed to the improved results:

- Equipment revenue increased by $95.6 million compared to last year. Specific year-over-year variances included the following:

  - Construction equipment revenue increased $46.3 million due mostly to increased market demand for Hitachi construction excavators in western Canada and Ontario and for JCB equipment in all regions.
  - Forestry equipment sales increased $23.2 million attributable to higher market demand for Tigercat and forestry related Hitachi products across Canada.
  - Mining equipment revenue increased $22.3 million resulting from an increase in Hitachi mining revenues in western Canada offset partially by fewer deliveries of LeTourneau mining equipment.
  - Material handling equipment revenue increased $14.5 million due to higher market demand primarily in western and eastern Canada (Quebec and Atlantic provinces).
  - Crane and utility equipment revenue decreased $10.7 million due primarily to lower sales to utility customers in Ontario.

- Parts and service volumes increased $34.4 million compared to last year resulting from higher mining, construction and material handling sales, mainly in western Canada.

- Segment earnings increased $11.2 million compared to last year. The positive impact of higher volumes outweighed the negative impact of a lower gross profit margin and a $6.7 million increase in selling and administrative expenses. The lower gross profit margin resulted from a higher proportion of equipment sales compared to last year. Selling and administrative expenses increased as a result of higher personnel costs including additional annual and mid-term incentive accruals and higher sales related and occupancy costs. These increases were somewhat offset by lower bad debt expenses compared to last year.

Backlog of $146.6 million at December 31, 2011 increased $52.6 million compared to December 31, 2010 due mainly to increases in mining equipment orders in all regions and construction equipment orders in western Canada. The backlog includes $25.5 million of LeTourneau equipment orders.

During the second quarter of 2011, the Equipment segment entered into an equipment supply agreement with Shell Canada Energy for a total of seven Hitachi mining shovels and construction excavators, adding to the already existing fleet of Hitachi equipment at Shell Albian Sands, Shell's oil sands operation in the province of Alberta. In support of Shell Albian Sands' fleet of Hitachi equipment, Wajax has also renewed and extended the existing commercial arrangement with Shell Canada Energy for the supply of parts, components and services until the end of April 2014.

On October 17, 2011, Wajax announced it had reached an agreement with LeTourneau Technologies, Inc. ("LeTourneau") providing for the dealer agreement relating to Wajax's distribution of LeTourneau mining equipment and parts products in Canada to be discontinued effective April 27, 2012. Joy Global Inc. initially announced the closing of its acquisition of LeTourneau on June 22, 2011 and indicated its intention to integrate the LeTourneau field facilities and distribution activities with its P&H mining equipment operations. Sales and service of LeTourneau products in 2011 generated approximately $35 million of revenue for Wajax and contributed approximately $11 million to its earnings before finance costs and income tax expense. Exit costs or write downs, if any, are expected to be minimal.

Wajax Equipment's strategy is to continue to focus on building the market share of its key product lines, particularly construction and material handling equipment, and to improve product support capabilities across all lines of business. As well, the segment will work to expand its operations in the growing mining sector by building its organizational and support infrastructure to capitalize on market opportunities, particularly in Ontario and eastern Canada.

During 2011, the segment made significant strides toward improving its aftermarket support capabilities. Parts availability and customer fill rates have been increased, and upgraded processes adopted for inventory forecasting, ordering and stocking. In addition, the sales force compensation plans were revamped to be better aligned with market share targets.

The segment's focus going forward will include the following specific initiatives to continue to build its equipment market share and its aftermarket parts and service business:

- The segment intends to expand its mining support infrastructure to improve sales and after-sales support coverage of both above ground and underground mining products in Ontario and eastern Canada. The segment expects to continue to develop its product offering through the introduction of two new underground mining lines, and the new 240 tonne Hitachi mine truck at the end of 2012. The recently formed Rotating Products Group in Fort McMurray, which distributes and services slurry pumps and services equipment such as compressors and gear boxes, is planned to be further developed in the Fort McMurray area prior to expanding to other major mining areas in Canada.

- Equipment will continue to focus on the quality and effectiveness of sales personnel and management and provide them the appropriate sales execution tools and training to support their market share improvement objectives.

- The efficiency and effectiveness of the service operations is planned to be enhanced through standardization of procedures and quoting practices across the country and implementation of technology to assist in customer on-line access, process flow, job tracking and field technician support.

- The branch coverage in key metropolitan areas will continue to be upgraded. The current Montreal Lachine facility operation is being replaced by two newer facilities to allow for improved market penetration. One facility was recently opened in Chambly and another in Laval is scheduled to open in mid-2012. A new Edmonton mining facility will be constructed with completion expected in early 2013, and a new branch in eastern Toronto is expected to be opened in 2013 to better serve that portion of the Greater Toronto Area.

Industrial Components

For the year ended December 31	**2011**	2010
Segment revenue	**$347.5**	$302.2
Segment earnings	**$23.1**	$12.0
Segment earnings margin	***6.6%***	*4.0%*

Revenue by Market 2011 versus 2010

Market	2011	2010
Industrial/Manufacturing	17%	17%
Mining	14%	14%
Oil & Gas	14%	10%
Forestry	14%	15%
Metal Processing	11%	13%
Construction	6%	6%
Food & Beverage	5%	5%
Transportation	4%	4%
Other	15%	16%

Revenue increased $45.3 million, or 15%, to $347.5 million from $302.2 million in 2010. Segment earnings increased $11.1 million to $23.1 million compared to $12.0 million in the previous year. The year-over-year changes in revenue and earnings were a result of the following factors:

- Bearings and power transmission parts sales increased $15.2 million due mainly to higher mining revenues across all regions and increased industrial volumes in eastern Canada and Ontario. Improved sales to food and beverage, oil and gas, construction and agriculture customers also contributed to the increase.

- Fluid power and process equipment product and service revenue increased $30.1 million on improved oil and gas drilling activity in western Canada and increased sales to industrial, mining, forestry and agriculture sector customers.

- Segment earnings increased $11.1 million compared to last year. The positive impact of higher volumes outweighed the negative impact of lower gross profit margins on fluid power and process equipment products and a $0.8 million increase in selling and administrative expenses. The increase in selling and administrative expenses resulted from higher sales related and occupancy costs and computer systems upgrade expenses, somewhat offset by a reduction in personnel costs due to lower severance costs.

Backlog of $44.8 million as of December 31, 2011 increased $9.4 million compared to December 31, 2010.

The strategic direction of the Industrial Components segment is to continue to grow revenue and earnings by capitalizing on its technical and engineering capabilities by providing engineered solutions built around its product offering. The segment also plans to continue to take steps to maximize its operational efficiency in order to increase margins and lower its working capital requirements.

Considerable effort has been undertaken over the last number of years to improve Industrial Components revenue and profitability. In 2011, the segment was able to leverage its selling and administrative expense base as revenue grew 15% and segment earnings margins increased from 4.0% in 2010 to 6.6% in 2011. Initiatives to further drive earnings improvements include:

- The segment will continue to capitalize on its technical and engineering expertise including further expansion of design and assembly capabilities, shop and field repair and analysis services. This will be supported by a national marketing program and dedicated technical sales representatives in major markets.

- Industrial Components expects to grow major product category sales in under-represented territories. This is to include the opening of new bearings and power transmission product branches in western Canada, the addition of hydraulic product lines in Ontario and Quebec and selective acquisitions.

- In 2012 the segment plans to upgrade its e-commerce capability in order to meet the evolving electronic transaction needs of its customers and to improve the efficiency of its transactions with suppliers.

- Industrial Components intends to improve its inventory management and supply chain processes by further centralizing purchasing controls and transitioning to a "hub and spoke" supply model in order to optimize branch inventory levels, rationalize suppliers and reduce freight expenses. As well it will invest in warehouse management system software to better manage the flow of product inventory.

Power Systems

For the year ended December 31	**2011**	2010
Equipment*	**$160.8**	$116.6
Parts and service	**$186.6**	$140.7
Segment revenue	**$347.4**	$257.3
Segment earnings	**$32.9**	$19.2
Segment earnings margin	***9.5%***	*7.5%*

* Includes rental and other revenue.

Revenue by Market 2011 versus 2010

Market	2011	2010
Oil & Gas	34%	27%
On-highway Transportation	23%	28%
Industrial/Commercial	20%	24%
Oil Sands	6%	7%
Mining	3%	3%
Other	14%	11%

Revenue increased $90.1 million, or 35%, to $347.4 million in 2011 from $257.3 million in 2010. Excluding the Harper acquisition effective May 2, 2011, Power Systems revenue increased $40.8 million, or 16%, compared to last year. Segment earnings increased $13.7 million to $32.9 million in 2011 from $19.2 million in 2010. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue increased $44.2 million compared to last year driven by increased sales to off-highway oil and gas customers in western Canada, $17.1 million of revenues related to the Harper acquisition and increased power generation rentals. These increases more than offset lower power generation equipment sales in western Canada and the delivery of a large order in eastern Canada for marine power packages last year.

- Parts and service volumes increased $45.9 million compared to last year due mainly to $32.2 million of revenues related to the Harper acquisition and higher sales to off-highway customers, primarily those in the mining and oil and gas sectors.

- Segment earnings increased $13.7 million compared to last year as a result of higher volumes and gross profit margins, offset by a $10.7 million increase in selling and administrative expenses. Gross profit margins increased mainly as a result of higher equipment margins. Increased selling and administrative expenses were attributable to the Harper acquisition and higher personnel expenses including commissions and severance costs.

Backlog of $76.3 million as of December 31, 2011 decreased $11.6 million compared to December 31, 2010 as significant deliveries out of backlog more than offset the increase attributable to the Harper acquisition.

Effective December 13, 2011, Richard Plain was appointed to the position of Senior Vice President, Wajax Power Systems subsequent to the departure of Tim Zawislak. Prior to his appointment, Richard held the position of Vice President Sales and Marketing since joining Wajax Power Systems in 2009 and brings eighteen years of experience in the power systems and equipment distribution businesses in western Canada.

On May 2, 2011, Wajax Power Systems purchased the assets of 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 $23.2 million, including post closing adjustments. The segment has assumed the operation of Harper's nine branches in Ontario located in Toronto, Ottawa, Hamilton, London, Sudbury, Timmins, 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. The Harper business is well established in the on-highway sector of the market and has been rebranded as Wajax Power Systems.

The Harper acquisition represents a major step towards the segment's strategic objective of expanding its off-highway and power generation business to become a Canada-wide total power systems solution provider. Initiatives going forward will include the following:

- The segment intends to expand its western Canada electrical power generation rental business into Ontario and eastern Canada. It provides customers with a "turn-key" rental solution including the power generator and related connectivity and support products and services.

- Power System plans to continue to expand its product portfolio and geographic territory. Through the Harper acquisition, it intends to further develop its presence in the off-highway and power generation sectors in Ontario and will capitalize on new distribution agreements for Doosan generators in Canada and Volvo Penta engines in Ontario. Power Systems plans to continue to fill gaps in its power generation product offering, as well as expanding to areas of British Columbia where it is currently not well represented. The segment also intends to better penetrate the western Canada preventative maintenance service business for standby and prime power diesel generators.

- Wajax Power Systems has recently broken ground on a new facility in Drummondville, Quebec, where it will focus on developing the segment's off-highway and power generation packaging and integration capabilities by leveraging its engineering and project management expertise to all major geographic markets.

- In 2012 the segment will begin to implement a common computer system platform across all three regions of Power Systems to meet current and future requirements.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2011 annual audited Consolidated Financial Statements.

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$377.2**	$361.9	$334.1	$303.9	$316.4	$294.4	$272.0	$228.1
Earnings before income taxes	**$22.5**	$24.6	$22.4	$18.0	$14.9	$18.7	$11.9	$8.5
Net earnings	**$16.6**	$17.9	$16.5	$12.8	$15.8	$19.6	$12.2	$8.9
Net earnings per share								
- Basic	**$1.00**	$1.08	$0.99	$0.77	$0.95	$1.18	$0.73	$0.53
- Diluted	**$0.98**	$1.06	$0.98	$0.76	$0.93	$1.16	$0.72	$0.53

Trends in quarterly revenue and earnings have not been evident over the last two years due in part to the recent strength of the Canadian economy.

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

Selected Annual Information

	2011	2010	2009(1)
Revenue	**$1,377.1**	$1,110.9	$1,007.2
Earnings before income taxes	**$87.5**	$53.9	$32.2
Net earnings	**$63.8**	$56.4	$34.2
Net earnings per share - Basic	**$3.84**	$3.39	$2.06
- Diluted	**$3.77**	$3.34	$2.04
Total assets	**$589.9**	$522.5	$448.2
Non-current liabilities	**$99.9**	$18.9	$87.8
Dividends declared per share	**$2.14**	-	-
Distributions declared per unit	**-**	$3.40	$2.47

(1) 2009 financials are prepared in accordance with Canadian GAAP and 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. The above reclassifications do not affect net earnings or cashflows.

Revenue in 2011 of $1,377.1 million increased $266.2 million compared to 2010 due to the increased market demand for equipment and parts and service in all segments and the Harper acquisition in May 2011 that accounted for $49.3 million of the increase. Revenue in 2010 of $1,110.9 million increased $103.7 million from $1,007.2 million in 2009 due to the general uplift in the Canadian economy that was experienced in all segments.

Earnings before income taxes increased $55.3 million from 2009 to 2011. The increase was attributable to the increases in revenue noted above and higher gross profit margins, offset somewhat by increased selling and administrative and slightly higher finance costs.

Net earnings increased $29.6 million, or $1.78 per share, from 2009 to 2011. The $55.3 million increase in earnings before income taxes more than offset the $25.7 million increase in income tax expense resulting from the conversion from an income fund to a corporation effective January 1, 2011.

Total assets increased $141.7 million between December 31, 2009 and December 31, 2011. The overall increase in total assets is mainly attributable to higher inventories, accounts receivable and rental equipment resulting from the increased sales activity throughout 2010 and 2011. The increase also includes $32.9 million of total assets resulting from the acquisition of Harper.

Non-current liabilities at December 31, 2011 of $99.9 million increased $81.0 million from December 31, 2010. This was primarily due to the reclassification of bank debt to non-current liabilities as the bank credit facility was extended from December 31, 2011 to August 12, 2016 and an increase in deferred taxes payable as the partnership income generated in 2011 will be subject to tax in 2012. Non-current liabilities at December 31,2010 of $18.9 million was lower compared to $87.8 million at December 31, 2009 as the $79.7 million of bank debt was included in current liabilities at December 31, 2010 due to the December 31, 2011 maturity of the bank credit facility at that time. In addition, non-current liabilities as at December 31, 2009 did not include obligations under finance leases under Canadian GAAP.

Cash Flow, Liquidity and Capital Resources

Net Cash Flows Generated from Operating Activities

For the year ended December 31, 2011, net cash flows generated from operating activities amounted to $61.2 million, compared to $88.7 million the previous year. The $27.5 million decrease was due primarily to an increased use of operating assets and liabilities of $42.7 million, higher rental equipment additions in the Equipment and Power Systems segments of $14.4 million and higher income taxes paid of $1.9 million. This was partially offset by higher cash flows from operating activities before changes in operating assets and liabilities of $32.8 million.

Changes in operating assets and liabilities in 2011 compared to 2010 include the following components:

Changes in operating assets and liabilities

For the year ended December 31	**2011**	2010
Trade and other receivables	**$27.1**	$12.0
Inventories	**$35.0**	$15.8
Prepaid expenses	**$0.6**	($0.6)
Trade and other payables	**($22.9)**	($51.5)
Accrued liabilities	**($19.1)**	$2.4
Provisions	**($0.4)**	(0.5)
Total	**$20.3**	($22.4)

Significant components of the changes in operating assets and liabilities for the twelve months ended December 31, 2011 are as follows:

- Trade and other receivables increased $27.1 million due to the impact of higher sales activity in all segments.
- Inventories increased $35.0 million as a result of a continued growth in sales activity in all segments.
- Trade and other payables increased $22.9 million reflecting higher inventory related payables.
- Accrued liabilities increased $19.1 million on higher customer deposits in the Equipment and Power Systems segments and higher annual and mid-term incentive accruals.

On the consolidated statement of financial position at December 31, 2011, Wajax had employed $165.0 million in current assets net of current liabilities, exclusive of funded net debt, compared to $118.3 million at December 31, 2010. The $46.7 million increase was due primarily to the cash flow factors listed above, the Harper acquisition and a $9.1 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.

While the IFRS adjustments do not impact the Corporation's total cash flows, cash flows generated 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.

Investing Activities

For the year ended December 31, 2011, Wajax invested $5.3 million in capital asset additions net of disposals and $0.7 million in intangible asset additions, compared to $1.7 million and $3.2 million for the year ended December 31, 2010, respectively. In addition, the Power Systems segment paid a total of $23.2 million for the acquisition of the assets of Harper on May 2, 2011.

Financing Activities

For the year ended December 31, 2011, Wajax used $69.3 million of cash in financing activities compared to $50.0 million in 2010. Financing activities in the year included distributions and dividends paid to shareholders totaling $44.7 million, or $2.69 per share, bank debt and finance lease payments of $23.5 million, and debt facility renewal costs of $1.1 million.

Funded net debt of $63.7 million at December 31, 2011 increased $18.1 million compared to December 31, 2010. This increase was mainly a result of net cash flows generated from operating activities of $61.2 million being less than the $29.2 million of cash flows used in investing activities including $23.2 million used for the Harper acquisition, distributions and dividends of $44.7 million, finance lease payments of $3.5 million and debt facility renewal costs of $1.1 million. As a result, Wajax's year-end funded net debt-to-equity ratio of 0.28:1 increased from last year's ratio of 0.23:1.

Fourth Quarter Consolidated Results

For three months ended December 31	**2011**	2010
Revenue	**$377.2**	$316.4
Gross profit	**$79.3**	$64.3
Selling and administrative expenses	**$55.7**	$48.4
Earnings before finance costs and income taxes	**$23.6**	$15.9
Finance costs	**$1.2**	$1.0
Earnings before income taxes	**$22.5**	$14.9
Income tax expense (recovery)	**$5.9**	($0.9)
Net earnings	**$16.6**	$15.8
Earnings per share		
- Basic	**$1.00**	$0.95
- Diluted	**$0.98**	$0.93

Revenue
Revenue in the fourth quarter of 2011 increased 19% or $60.8 million to $377.2 million, from $316.4 million in the fourth quarter of 2010 and included $19.9 million of revenue from the acquisition of the assets of Harper by the Power Systems segment effective May 2, 2011. Segment revenue increased 20% in Equipment, 16% in Industrial Components and 19% in Power Systems (a decrease of 6% excluding Harper revenue) compared to the same quarter last year.

Gross profit
Gross profit in the fourth quarter of 2011 increased $15.0 million due to the positive impact of higher volumes and gross profit margins compared to the fourth quarter last year. The gross profit margin percentage for the quarter of 21.0% increased from 20.3% in the fourth quarter of 2010 due mainly to improved gross profit margins in all segments.

Selling and administrative expenses
Selling and administrative expenses increased $7.3 million in the fourth quarter of 2011 compared to the same quarter last year. Of this increase, $3.0 million related to Harper with most of the remainder attributable to higher sales related costs and annual and mid-term incentive accruals. Selling and administrative expenses as a percentage of revenue decreased to 14.8% in the fourth quarter of 2011 from 15.3% in the same quarter of 2010.

Finance costs
Quarterly finance costs of $1.2 million increased $0.2 million compared to the same quarter last year due to higher funded net debt, mainly attributable to the acquisition of Harper on May 2, 2011.

Earnings before income taxes
Quarterly earnings before income taxes increased $7.6 million as the positive impact of the higher volumes and increased gross profit margin percentage, more than offset additional selling and administrative costs and higher finance costs compared to the same quarter last year.

Income tax expense
For the three months ended December 31, 2011, the effective income tax rate of 26.3% was less than the Corporation's statutory income tax rate of 27.7%. The positive impact of partnership income generated in 2011, which will be subject to tax in 2012 at a lower rate, more than offset the negative impact of expenses not deductible for tax purposes.

Net earnings
Quarterly net earnings increased $0.8 million to $16.6 million, or $1.00 per share, from $15.8 million, or $0.95 per share, in the same quarter of 2010. The $7.6 million increase in earnings before income taxes more than offset

the $6.8 million increase in income tax expense resulting from the conversion from an income fund to a corporation effective January 1, 2011.

Comprehensive income
Comprehensive income for the fourth quarter of $13.0 million decreased $2.4 million from $15.4 million compared to the same quarter in the previous year as a $3.2 million increase in other comprehensive loss more than offset the $0.8 million increase in net earnings. The increase in other comprehensive loss resulted from increased actuarial losses on pension plans and gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs in the current period.

Funded net debt
Funded net debt of $63.7 million at December 31, 2011 decreased $33.8 million compared to September 30, 2011. The decrease resulted mainly from net cash flows generated from operating activities of $48.7 million which were offset partially by dividends paid of $10.0 million, investing activities of $3.0 million and finance lease payments of $1.0 million. Wajax's quarter-end funded net debt-to-equity ratio of 0.28:1 at December 31, 2011 decreased from the September 30, 2011 ratio of 0.43:1.

Dividends
For the fourth quarter ended December 31, 2011 monthly dividends declared totaled $0.60 per share. For the fourth quarter ended December 31, 2010 monthly cash distributions declared as an income fund were $1.65 per unit.

Backlog
Consolidated backlog at December 31, 2011 of $267.7 million increased $3.9 million from $263.8 million at September 30, 2011 and increased $50.4 million from $217.3 million at December 31, 2010. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning.

Fourth Quarter Results of Operations

Equipment

For three months ended December 31	**2011**	2010
Equipment*	**$125.4**	$101.7
Parts and service	**$66.9**	$58.0
Segment revenue	**$192.3**	$159.7
Segment earnings	**$14.3**	$10.8
Segment earnings margin	***7.5%***	*6.8%*

* Includes rental and other revenue.

Revenue in the fourth quarter of 2011 increased $32.6 million, or 20%, to $192.3 million from $159.7 million in the fourth quarter of 2010. Segment earnings for the quarter increased $3.5 million to $14.3 million compared to the fourth quarter of 2010. The following factors contributed to the Equipment segment's fourth quarter results:

- Equipment revenue for the fourth quarter increased $23.7 million compared to the same quarter last year. Specific quarter-over-quarter variances included the following:

  - Construction equipment revenue increased $12.0 million on increased market demand for Hitachi construction excavators, in western Canada and Ontario, and higher JCB and other construction equipment sales across Canada.
  - Mining equipment sales increased $7.6 million due mainly to the delivery of a large Hitachi mining shovel in western Canada offset by the delivery of a LeTourneau loader in eastern Canada in 2010.
  - Material handling equipment revenue increased $5.9 million on higher volumes in eastern and western Canada offset by lower sales stemming from reduced market demand in Ontario.
  - Crane and utility equipment revenue decreased $0.7 million.

- Forestry equipment sales decreased $1.1 million as lower demand in Ontario and eastern Canada for Tigercat and Peterson Pacific products was somewhat offset by higher market demand related sales in western Canada primarily for Tigercat equipment.

• Parts and service volumes for the fourth quarter increased $8.9 million compared to the same quarter last year due principally to higher mining and construction sector sales, primarily in western Canada.

• Segment earnings for the fourth quarter increased $3.5 million to $14.3 million compared to the same quarter last year. The positive impact of higher volumes outweighed a $2.2 million increase in selling and administrative expenses resulting from higher sales related expenses and annual and mid-term incentive accruals.

Backlog of $146.6 million at December 31, 2011 increased $0.7 million compared to September 30, 2011 and increased $52.6 million compared to December 31, 2010.

Industrial Components

For three months ended December 31	**2011**	2010
Segment revenue	**$90.2**	$77.8
Segment earnings	**$5.9**	$2.6
Segment earnings margin	***6.5%***	*3.4%*

Revenue of $90.2 million in the fourth quarter of 2011 increased $12.4 million, or 16%, from $77.8 million in the fourth quarter of 2010. Segment earnings increased $3.3 million to $5.9 million in the fourth quarter compared to the same quarter in the previous year. The following factors contributed to the segment's fourth quarter results:

• Bearings and power transmission parts sales in the fourth quarter of 2011 increased $4.6 million compared to the same quarter last year led by higher mining and industrial sector volumes across all regions. Sales to oil and gas customers in western Canada, metal processing customers in Ontario and additional construction and food and beverage sector volumes in eastern Canada also contributed to the increased sales.

• Fluid power and process equipment products and service revenue in the fourth quarter of 2011 increased $7.8 million on improved oil and gas drilling activity in western Canada and increased sales to industrial and agriculture sector customers in all regions.

• Segment earnings in the fourth quarter of 2011 increased $3.3 million compared to the same quarter last year. The positive impact of higher volumes outweighed a $0.5 million increase in selling and administrative expenses. The increase in selling and administrative expenses resulted mainly from higher sales related costs and computer system upgrade expenses.

Backlog of $44.8 million as of December 31, 2011 decreased $2.5 million compared to September 30, 2011 and increased $9.4 million compared to December 31, 2010.

Power Systems

For three months ended December 31	**2011**	2010
Equipment*	**$43.9**	$44.5
Parts and service	**$51.6**	$35.7
Segment revenue	**$95.5**	$80.2
Segment earnings	**$7.9**	$6.5
Segment earnings margin	***8.3%***	*8.1%*

∗ Includes rental and other revenue.

Revenue in the fourth quarter of 2011 increased $15.3 million, or 19%, to $95.5 million compared to $80.2 million in the same quarter of 2010. Excluding the Harper acquisition, Power Systems revenue in the fourth quarter of 2011 decreased $4.6 million, or 6% compared to the same quarter last year. Segment earnings increased $1.4 million to $7.9 million in the fourth quarter compared to the same quarter in the previous year. The following factors impacted quarterly revenue and earnings:

- Equipment revenue decreased $0.6 million compared to last year. Increased sales to off-highway oil and gas customers in western Canada and $7.0 million of revenues related to the Harper acquisition were more than offset by lower power generation equipment sales in western Canada and the delivery of a large order in eastern Canada for marine power packages last year.

- Parts and service volumes increased $15.9 million compared to last year due mainly to $12.9 million of revenues related to the Harper acquisition and higher sales to off-highway customers, primarily in the mining and oil and gas sectors.

- Segment earnings in the fourth quarter of 2011 increased $1.4 million compared to the same quarter last year mainly as a result of the Harper acquisition. Selling and administrative expenses increased $4.1 million due mostly to $3.0 million of selling and administrative expenses related to Harper and higher personnel and sales related costs.

Backlog of $76.3 million as of December 31, 2011 increased $5.8 million compared to September 30, 2011 and decreased $11.6 million compared to December 31, 2010.

Fourth Quarter Cash Flows

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities amounted to $48.7 million in the fourth quarter of 2011, compared to $41.4 million in the same quarter of the previous year. The $7.3 million increase was due mainly to higher cash flows from operating activities before changes in operating assets and liabilities of $8.7 million and a decreased use of operating assets and liabilities of $1.4 million, partially offset by higher rental equipment additions of $2.0 million in the Equipment and Power Systems segments.

Changes in operating assets and liabilities for the fourth quarter in 2011 compared to the same periods in 2010 include the following components:

Changes in operating assets and liabilities

For three months ended December 31	**2011**	2010
Trade and other receivables	**($13.8)**	($11.8)
Inventories	**$9.2**	$3.6
Prepaid expenses	**($1.5)**	$1.5
Trade and other payables	**($5.5)**	($20.1)
Accrued liabilities	**($15.4)**	$3.0
Provisions	**$0.3**	($1.4)
Total	**($26.7)**	($25.2)

Significant components of the changes in operating assets and liabilities for the quarter ended December 31, 2011 are as follows:

- Trade and other receivables decreased $13.8 million due primarily to collection of a large mining equipment receivable in the Equipment segment and lower sales activity in the Power Systems segment.
- Inventories increased $9.2 million, mostly in the Power Systems and Industrial Components segments in anticipation of increased sales activity.
- Trade and other payables increased $5.5 million reflecting higher inventory related trade payables.
- Accrued liabilities increased $15.4 million due mainly to higher customer deposits in the Equipment and Power Systems segments.

On the consolidated statement of financial position at December 31, 2011, Wajax had employed $165.0 million in current assets net of current liabilities, exclusive of funded net debt, compared to $191.9 million at September 30, 2011. The $26.9 million decrease was due primarily to the cash flow factors listed above.

Investing Activities

During the fourth quarter of 2011, Wajax invested $2.6 million in capital asset additions net of disposals and $0.4 million in intangible asset additions, compared to $2.1 million and $0.5 million in the fourth quarter of 2010, respectively.

Financing Activities

The Corporation used $37.9 million of cash in financing activities in the fourth quarter of 2011 compared to $21.8 million in the same quarter of 2010. Financing activities in the quarter included bank debt and finance lease payments of $28.0 million and dividends paid to shareholders totaling $10.0 million, or $0.60 per share.

Liquidity and Capital Resources

On August 12, 2011, Wajax amended and extended the term of its $175 million bank credit facility to August 12, 2016 from December 31, 2011. The $1.1 million cost of extending the facility has been capitalized and will be amortized over the five year term. The terms of the $175 million bank credit facility include the following:

- The facility is fully secured, expiring August 12, 2016, made up of a $30 million non-revolving term portion and a $145 million revolving term portion.
- Borrowing capacity is dependent upon the level of inventories on-hand and the outstanding trade accounts receivable.
- The facility contains customary restrictive covenants including limitations on the payment of cash dividends and the maintenance of certain financial ratios all of which were met as at December 31, 2011. Wajax is restricted from the declaration of monthly dividends in the event the ratio of funded debt to earnings before finance costs, income taxes, depreciation and amortization and share-based compensation expense (the “Leverage Ratio”) exceeds three times.
- Borrowings bear floating rates of interest at margins over Canadian dollar bankers’ acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on Wajax’s Leverage Ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers’ acceptances and US dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At December 31, 2011, Wajax had borrowed $60.0 million and issued $6.0 million of letters of credit for a total utilization of $66.0 million of its $175 million bank credit facility. At December 31, 2011 borrowing capacity under the bank credit facility was equal to $175.0 million.

Wajax also has a $15 million demand inventory equipment financing facility with a non-bank lender. The equipment notes payable under the facility bear floating rates of interest at margins over Canadian dollar bankers’ acceptance yields. Principal repayments commence between 6 and 12 months from the date of financing and the notes are due in full when the equipment is sold. At December 31, 2011 Wajax had no utilization of its $15 million equipment financing facility.

Since conversion to a corporation, Wajax has not made, and will not be required to make, any significant income tax payments until 2013 due to income tax payments being deferred as a result of its partnership structure. In January 2013, Wajax will be required to make an income tax payment of approximately $44 million. This includes approximately $23 million of tax on partnership income generated in 2011 and the balance representing income to be included in 2012 taxable income resulting from the recent change in tax legislation that has effectively removed the partnership income deferral benefit. The Corporation will also commence making monthly income tax installments in January 2013.

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, including the January 2013 income tax payment. However, Wajax may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and employees on long-term disability benefits. The fair value of the defined benefit plans' assets decreased $1.3 million to $11.3 million at December 31, 2011 due to a $0.7 million loss on plan assets and excess benefits paid over contributions for the year. The accrued benefit obligations of the plans at December 31, 2011 were $18.6 million and included a $4.3 million benefit obligation related to the Wajax Limited Supplemental Executive Retirement Plan (SERP) that is not funded but secured by a $4.6 million letter of credit. The resulting deficit for the plans at December 31, 2011 excluding the SERP was $3.1 million. The defined benefit plans are subject to actuarial valuations in 2012 and 2013. Management does not expect future cash contribution requirements to change materially from the 2011 contribution level of $1.0 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

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 instruments outstanding at the end of the year were as follows:

- As at December 31, 2011, Wajax had no interest rate swaps outstanding. (As at December 31, 2010, Wajax had entered into interest rate swaps that effectively fixed the interest rate on $80 million of debt until December 31, 2011).

- 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 December 31, 2011, Wajax had contracts outstanding to buy U.S.$36.0 million and €0.2 million and to sell U.S.$1.0 million (December 31, 2010 – to buy U.S.$34.1 million and to sell U.S.$0.3 million). The U.S. dollar contracts expire between January 2012 and December 2012, with a weighted average U.S./Canadian dollar rate of 1.0249 and weighted average Euro / Canadian dollar rate of 1.3993.

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.

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

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

Currency Risk

Wajax's operating results are reported in Canadian dollars. While Wajax's sales are primarily denominated in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on Wajax's revenue, margins and working capital balances. Wajax enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. See the Financial Instruments section.

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

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

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

Contractual Obligations

Contractual Obligations	Total	< 1 year	1 - 5 years	After 5 years
Bank debt	**$ 60.0**	$ -	$ 60.0	$ -
Operating leases	**$ 71.3**	$ 16.8	$ 33.3	$ 21.2
Obligations under finance leases	**$ 10.3**	$ 3.6	$ 6.7	$ -
Total	**$141.6**	$ 20.4	$100.0	$ 21.2

The $60.0 million bank debt obligation relates to the bank term credit facility. On August 12, 2011, Wajax amended and extended the term of its $175 million bank credit facility to August 12, 2016 from December 31, 2011.

The obligations under finance leases relate to certain vehicles financed under finance lease arrangements. The leases have a minimum one year term and are extended on a monthly basis thereafter until termination. For more information on Wajax's operating lease obligations, see the Off Balance Sheet Financing section.

Wajax also has contingent contractual obligations where Wajax has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2011, Wajax had guaranteed $5.3 million of contracts (2010 - $5.8 million) with commitments arising between 2012 and 2014. The commitments made by Wajax in these contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. Wajax has recorded a $0.1 million provision in 2011 (2010 - $0.5 million) as an estimate of the financial loss likely to result from such commitments.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts entered into for facilities with various landlords, a portion of the long-term lift truck rental fleet in Equipment with a non-bank lender and office equipment with various non-bank lenders. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2011, the non-discounted operating lease commitments for facilities totaled $67.9 million, rental fleet $2.5 million, and office equipment $0.9 million.

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

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 costs and a reduction of the obligations under finance leases liability so as to achieve a constant rate of return of interest on the remaining balance of the liability.

In addition, the Equipment segment had $41.5 million (2010 - $39.4 million) of consigned inventory on-hand from a major manufacturer at December 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.

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

Dividends and distributions

Dividends to shareholders for the periods January 1, 2011 to December 31, 2011 and distributions to unitholders as an income fund for the periods January 1, 2010 to December 31, 2010 were declared as follows:

	2011 Dividends		2010 Distributions	
Month (1)	**Per Share**	**Amount**	**Per Unit**	**Amount**
January	**$ 0.15**	**$ 2.5**	$0.15	$ 2.5
February	**0.15**	**2.5**	0.15	2.5
March	**0.15**	**2.5**	0.15	2.5
April	**0.15**	**2.5**	0.15	2.5
May	**0.18**	**3.0**	0.15	2.5
June	**0.18**	**3.0**	0.15	2.5
July	**0.18**	**3.0**	0.15	2.5
August	**0.20**	**3.3**	0.35	5.8
September	**0.20**	**3.3**	0.35	5.8
October	**0.20**	**3.3**	0.35	5.8
November	**0.20**	**3.3**	0.55	9.2
December	**0.20**	**3.3**	0.75	12.5
Total dividends / distributions for the years ended December 31	**$2.14**	**$35.6**	**$3.40**	**$56.5**

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

For the year ending December 31, 2011, Wajax declared dividends to shareholders totaling $2.14 per share. For the year ending December 31, 2010, Wajax declared monthly cash distributions to unitholders totaling $3.40 per unit. Dividends paid in 2011 and distributions paid in 2010 were funded from cash generated from operating activities.

Commencing in 2012, the Corporation has established an objective of declaring annual dividends equal to at least 75% of earnings subject to the Corporation's financial condition, economic outlook and capital requirements for growth including acquisitions. The Corporation's intention is to continue paying dividends on a monthly basis.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at www.wajax.com.

Productive Capacity and Productive Capacity Management

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

Wajax operates from 117 facilities throughout Canada, of which 88 are leased. During the second quarter of 2011, Wajax increased its productive capacity through the acquisition of Harper which increased the Power Systems' Ontario infrastructure by an additional 9 branches. Wajax's principal properties are primarily sales and service branches.

Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relationships with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the Equipment and Power Systems segments, and in certain cases in the hydraulics and process pumps portion of the Industrial Components segment, manufacturer relationships are governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in the agreement.

Maintenance capital employed includes rental fleet in the Equipment and Power Systems segments, which will vary with market demand, and other capital which is employed primarily to support and maintain the branch network operations.

In addition, Wajax enters into off balance sheet financing arrangements including operating lease contracts entered into for a portion of the long-term lift truck rental fleet in Equipment and office equipment. At December 31, 2011, the non-discounted operating lease commitments for rental fleet totaled $2.5 million and office equipment $0.9 million.

Financing Strategies

Wajax's $175 million bank credit facility along with the $15 million demand inventory equipment financing facility should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements.

Wajax's short-term normal course requirements for current assets net of current liabilities, exclusive of funded net debt ("working capital") 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 2011. 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 facility.

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.

Borrowing capacity under the bank credit facility is dependent on the level of Wajax's inventories on-hand and outstanding trade accounts receivables. At December 31, 2011, total borrowing capacity under the bank credit facility was equal to $175 million of which $66 million was utilized at December 31, 2011.

The bank credit facility contains covenants that could restrict the ability of Wajax to make dividend payments, if (i) the leverage ratio (Debt to EBITDA) is greater than 3.0 at the time of declaration of the dividend, and (ii) an event of default exists or would exist as a result of a dividend payment.

Share Capital

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

Issued and fully paid Shares as at December 31, 2011	**Number**	**Amount**
Balance at the beginning of the year	16,629,444	$105.9
Rights exercised	-	-
Balance at the end of the year	**16,629,444**	**$105.9**

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 Share 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 the MTIP and the full amount of the DSUP grants are 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 DSUP and the share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation cost of $7.2 million for the year (2010 - $5.0 million) in respect of these plans.

At December 31, 2011, 109,788 (2010 – 101,999) rights were outstanding under the SOP, 30,216 (2010 – 24,164) rights were outstanding under the DSP and 176,591 (2010 – 147,797) rights were outstanding under the DDSUP.

Effective January 1, 2011 the SOP, DSP, DDSUP and MTIP plans were amended to reflect the conversion to a corporation. See Note 21 of the Consolidated Financial Statements.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Wajax has taken into account current economic conditions when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. Note 3 to the annual Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the annual Consolidated Financial Statements. Wajax bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances. The more significant estimates include provisions for inventory obsolescence and doubtful accounts, warranty provisions and fair market values for goodwill impairment tests.

Provision for inventory obsolescence
The value of Wajax's new and used equipment is evaluated by management throughout the year. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. Wajax identifies slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. Wajax takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2011 was $3.2 million compared to $4.0 million in 2010.

Provision for doubtful accounts
Wajax is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by Wajax's large customer base which covers most business sectors across Canada. Wajax follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. Wajax maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The $3.5 million provision for doubtful accounts at December 31, 2011 decreased $0.4 million from $3.9 million in 2010. As conditions change, actual results could differ from those estimates.

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

Goodwill and intangible assets
Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate the assets might be impaired. Goodwill and indefinite life intangibles are allocated to cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. To test for impairment, Wajax compares each CGU's carrying value to its recoverable amount. Recoverable amount is the higher of value in use or fair value less costs to sell, if the fair value can be readily determined. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the assets. Any impairment would be recorded as a charge against earnings. During the year, Wajax performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that no impairment existed in either the goodwill associated with any of Wajax's cash-generating units or the intangible assets with an indefinite life.

Customer lists and non-competition agreements are amortized on a straight line basis over their useful lives which range from 2 to 7 years. Computer application software is classified as an intangible asset and is amortized on a straight line basis over the useful life ranging from 1 to 7 years. They are reviewed at the end of each reporting period to determine if any indicators of impairment exist. For any indicators of impairment identified, an estimate is made of the recoverable amount of the asset. Impairment of 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 earnings. Wajax concluded that no impairment of the carrying value of the finite life intangible assets existed.

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

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

Changes in Accounting Policy

Transition to International Financial Reporting Standards

This is the first year that the Corporation has presented its Consolidated Financial Statements in accordance with IFRS. The Corporation provided information on its transition to IFRS in its MD&A for the quarter ended March 31, 2011. This information has not changed materially from what was provided. The most significant impacts on the Corporation's Consolidated Financial Statements resulting from the adoption of IFRS are discussed within the applicable sections of this MD&A and Note 29 of the Consolidated Financial Statements.

Note 29 of the Consolidated Financial Statements provides an explanation of the transition to IFRS. In addition, Note 29 provides detailed reconciliations between Canadian GAAP and IFRS of the consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2010 and of the consolidated statements of financial position as at January 1, 2010 and December 31, 2010. These reconciliations provide explanations of each difference.

New standards and interpretations not yet adopted

As of January 1, 2015, 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.

As of January 1, 2013, the Corporation will be required to adopt IFRS 10 *Consolidated Financial Statements*, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The Corporation does not expect IFRS 10 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 13 *Fair Value Measurement*, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other IFRSs. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 1 *Presentation of Financial Statements*, which require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 19 *Employee Benefits*, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

Risk Management and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax.

The following are a number of risks that deserve particular comment.

Manufacturer relationships and product access
Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the Equipment and Power Systems segments, and in certain cases in the hydraulics and process pumps portion of the Industrial Components segment, manufacturer relationships are governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in each agreement. Although Wajax enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significantly adverse effect on Wajax's results of operations or cash flow.

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact the products distributed by Wajax, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation. This was the case in the Equipment segment with the discontinued distribution of the LeTourneau product line effective April 27 2012, due to the purchase by Joy Global Inc. of LeTourneau Technologies Inc.

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

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

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

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

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

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

Leverage, credit availability and restrictive covenants
Wajax has a $175 million bank credit facility which expires August 12, 2016 comprised of a $30 million non-revolving term portion and a $145 million revolving term portion. (see Liquidity and Capital Resources section above).

While management believes this facility will be adequate to meet the Corporation's normal course working capital requirements, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the facility matures. See Financing Strategies section.

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

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2011. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009.

Wajax may 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.

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

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

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

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

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

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

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

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

The Power Systems business competes with other major diesel engine distributors representing such products as Cummins and Caterpillar. Competition is based primarily on product quality, pricing and the ability to service the product after the sale.

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

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

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

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

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

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

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

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

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

Labour relations
Wajax has approximately 2,738 employees. Wajax is a party to thirteen collective agreements covering a total of approximately 416 employees. Of these, seven collective agreements covering 113 employees have expired on or before December 31, 2011 and are currently being re-negotiated. Of the remaining six collective agreements, two expire in 2012, three expire in 2013, and one expires in 2014. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's businesses, results of operations or financial condition.

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

Strategic Direction and Outlook

In 2011 Wajax achieved record revenue and earnings before income tax of $1.38 billion and $87.5 million respectively. Year-over-year revenue increased 24% while earnings before income tax increased 62%. The earnings before income tax comparison is appropriate since 2011 was the first year after conversion from an income fund when Wajax was effectively not subject to income tax. This performance was driven by a stronger Canadian economy and the execution of the Corporation's strategic initiatives, including the Harper acquisition. Additionally, all three businesses maintained disciplined control over selling and administrative costs. With its Canada-wide branch infrastructure and diverse product lines, Wajax's business has exposure to virtually all of the goods producing sectors of the Canadian economy. Stronger sectors of the economy aiding the Corporation's revenue growth in 2011 were energy, mining, construction and forestry, primarily in western Canada.

Looking forward to 2012, management expects growth in the Canadian economy to be more modest than that experienced in 2011. This is a result of the continuing high value of the Canadian dollar and the dampening effect on the world economy from the European debt crisis and the slowing Chinese economy. However, we expect global demand for commodities to remain relatively strong, which should bode well for Canada's mining and energy sectors, particularly in western Canada. The revenue implication from phasing out the LeTourneau mining equipment line at the end of April, is expected to be mitigated by additional Hitachi mining equipment sales as Hitachi's manufacturing operations have recovered from the effects of the Japanese earthquake and tsunami in March 2011. As well, management has outlined growth initiatives that are expected to result in increased market share for key product lines, the addition of new products and expansion into new geographic territories. As a result, management expects continued growth in revenue and earnings in 2012, but at a more modest pace than experienced in 2011.

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

WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three and twelve months ended December 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.

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note		**December 31, 2011**		December 31, 2010
ASSETS					
CURRENT					
Cash		**$**	**5,659**	$	42,954
Trade and other receivables			**174,233**		135,517
Inventories			**241,524**		196,460
Prepaid expenses			**8,033**		7,244
			429,449		382,175
NON-CURRENT					
Rental equipment	4		**28,060**		15,794
Property, plant and equipment	5		**47,924**		43,268
Intangible assets	6		**84,493**		75,794
Deferred taxes	10		**-**		5,277
Employee benefits			**-**		240
			160,477		140,373
		$	**589,926**	$	522,548
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Trade and other payables	7	**$**	**163,108**	$	134,832
Accrued liabilities			**84,050**		63,762
Provisions			**5,704**		5,353
Dividends payable			**3,326**		12,472
Income taxes payable			**2,398**		2,072
Obligations under finance leases			**3,646**		3,677
Derivative instruments			**208**		2,452
Bank debt			**-**		79,680
			262,440		304,300
NON-CURRENT					
Provisions			**4,010**		4,338
Deferred taxes	10		**17,694**		-
Employee benefits			**6,843**		4,132
Other liabilities			**5,644**		5,221
Obligations under finance leases			**6,688**		5,227
Bank debt			**59,021**		-
			99,900		18,918
SHAREHOLDERS' EQUITY					
Share capital			**105,371**		-
Trust units			**-**		105,371
Contributed surplus	9		**4,888**		3,931
Retained earnings			**117,477**		91,805
Accumulated other comprehensive loss			**(150)**		(1,777)
Total shareholders' equity			**227,586**		199,330
		$	**589,926**	$	522,548

These condensed consolidated financial statements were approved by the Board of Directors on March 6, 2012.

WAJAX CORPORATION

CONDENSED CONSOLIDATED INCOME STATEMENTS

(unaudited, in thousands of Canadian dollars, except per share data)	Note	Three months ended December 31 **2011**	2010	Twelve months ended December 31 **2011**	2010
Revenue		**$ 377,182**	$ 316,356	**$ 1,377,100**	$ 1,110,888
Cost of sales		**297,850**	252,074	**1,084,667**	873,032
Gross profit		**79,332**	64,282	**292,433**	237,856
Selling and administrative expenses		**55,698**	48,393	**200,321**	179,643
Earnings before finance costs and income taxes		**23,634**	15,889	**92,112**	58,213
Finance costs		**1,153**	1,014	**4,630**	4,277
Earnings before income taxes		**22,481**	14,875	**87,482**	53,936
Income tax expense (recovery)	10	**5,920**	(912)	**23,679**	(2,454)
Net earnings		**$ 16,561**	$ 15,787	**$ 63,803**	$ 56,390
Basic earnings per share	11	**$ 1.00**	$ 0.95	**$ 3.84**	$ 3.39
Diluted earnings per share	11	**$ 0.98**	$ 0.93	**$ 3.77**	$ 3.34

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)	Three months ended December 31 **2011**	2010	Twelve months ended December 31 **2011**	2010
Net earnings	**$ 16,561**	$ 15,787	**$ 63,803**	$ 56,390
Actuarial losses on pension plans, net of tax	**(2,544)**	(628)	**(2,544)**	(628)
(Gains) 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 ($224) (2010 – $139) and year to date, net of tax of $237 (2010 – $109)	**(649)**	661	**565**	938
(Losses) gains on derivative instruments designated as cash flow hedges during the period, net of tax of ($126) (2010 – ($75)) and year to date, net of tax of $381 (2010 – ($155))	**(354)**	(365)	**1,062**	(482)
Other comprehensive loss, net of tax	**(3,547)**	(332)	**(917)**	(172)
Total comprehensive income	**$ 13,014**	$ 15,455	**$ 62,886**	$ 56,218

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve months ended December 31, 2011 (in thousands of Canadian dollars)	Note		Share capital	Trust units	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income ("AOCL") Cash flow hedges		Total
January 1, 2011		$	-	105,371	3,931	91,805	(1,777)	$	199,330
Conversion to corporation			105,371	(105,371)	-	-	-		-
Net earnings			-	-	-	63,803	-		63,803
Other comprehensive loss									
Actuarial losses on pension plans, net of tax			-	-	-	(2,544)	-		(2,544)
Losses on derivative instruments designated as cash flow hedges in prior years reclassified to cost of inventory or finance costs in the current year, net of tax			-	-	-	-	565		565
Gains on effective portion of derivative instruments designated as cash flow hedges, net of tax			-	-	-	-	1,062		1,062
Total other comprehensive loss			-	-	-	(2,544)	1,627		(917)
Total comprehensive income for the year			-	-	-	61,259	1,627		62,886
Dividends	8		-	-	-	(35,587)	-		(35,587)
Share-based compensation expense	9		-	-	957	-	-		957
December 31, 2011		**$**	**105,371**	**-**	**4,888**	**117,477**	**(150)**	**$**	**227,586**

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 twelve months ended December 31, 2010 (in thousands of Canadian dollars)	Note		Share capital	Trust units	Contributed surplus	Retained earnings	AOCL Cash flow hedges		Total
January 1, 2010		$	-	105,129	3,538	92,543	(2,233)	$	198,977
Net earnings			-	-	-	56,390	-		56,390
Other comprehensive loss									
Actuarial losses on pension plans, net of tax			-	-	-	(628)	-		(628)
Losses on derivative instruments designated as cash flow hedges in prior years reclassified to cost of inventory or finance costs in the current year, net of tax			-	-	-	-	938		938
Losses on effective portion of derivative instruments designated as cash flow hedges, net of tax			-	-	-	-	(482)		(482)
Total other comprehensive loss			-	-	-	(628)	456		(172)
Total comprehensive income for the year			-	-	-	55,762	456		56,218
Distributions	8		-	-	-	(56,500)	-		(56,500)
Unit rights plans exercised	9		-	242	(242)	-	-		-
Unit-based compensation expense	9		-	-	635	-	-		635
December 31, 2010		**$**	**-**	**105,371**	**3,931**	**91,805**	**(1,777)**	**$**	**199,330**

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)	Note	Three months ended December 31 2011	Three months ended December 31 2010	Twelve months ended December 31 2011	Twelve months ended December 31 2010
OPERATING ACTIVITIES					
Net earnings		**$ 16,561**	$ 15,787	**$ 63,803**	$ 56,390
Items not affecting cash flow:					
Depreciation and amortization					
Rental equipment		**1,471**	957	**4,838**	3,568
Property, plant and equipment		**1,233**	1,073	**4,410**	4,065
Assets under finance lease		**802**	716	**3,031**	2,645
Intangible assets	6	**315**	239	**1,216**	966
Share-based compensation expense	9	**(386)**	(232)	**957**	635
Other liabilities		**1,639**	2,221	**423**	4,380
Non-cash rental expense		**(125)**	24	**(303)**	103
Employee benefits expense, net of payments		**46**	(999)	**(478)**	(1,139)
Finance costs		**1,153**	1,014	**4,630**	4,277
Income tax expense (recovery)	10	**5,920**	(912)	**23,679**	(2,454)
Cash flows from operating activities before changes in operating assets and liabilities		**28,629**	19,888	**106,206**	73,436
Changes in operating assets and liabilities:					
Trade and other receivables		**13,770**	11,756	**(27,054)**	(11,980)
Inventories		**(9,250)**	(3,615)	**(34,959)**	(15,768)
Prepaid expenses		**1,535**	(1,446)	**(571)**	556
Trade and other payables		**5,549**	20,089	**22,904**	51,537
Accrued liabilities		**15,359**	(3,001)	**19,076**	(2,430)
Provisions		**(308)**	1,439	**351**	494
		26,655	25,222	**(20,253)**	22,409
Cash flows generated from operating activities		**55,284**	45,110	**85,953**	95,845
Rental equipment additions	4	**(4,996)**	(2,979)	**(20,177)**	(5,775)
Provisions, non-current		**(598)**	112	**(328)**	820
Finance costs paid		**(1,011)**	(835)	**(4,132)**	(3,999)
Income taxes received (paid)		**(18)**	-	**(116)**	1,778
Net cash flows generated from operating activities		**48,661**	41,408	**61,200**	88,669
INVESTING ACTIVITIES					
Property, plant and equipment additions		**(2,682)**	(2,105)	**(5,499)**	(4,132)
Proceeds on disposal of property, plant and equipment		**122**	30	**193**	2,393
Intangible assets additions		**(413)**	(514)	**(664)**	(3,220)
Acquisition of business	12	**10**	-	**(23,247)**	-
Net cash flows used in investing activities		**(2,963)**	(2,589)	**(29,217)**	(4,959)
FINANCING ACTIVITIES					
Decrease in bank debt		**(27,000)**	-	**(20,000)**	-
Debt facility renewal costs		**11**	-	**(1,061)**	(93)
Finance lease payments		**(975)**	(1,061)	**(3,484)**	(3,351)
Dividends paid	8	**(9,978)**	(20,774)	**(44,733)**	(46,519)
Net cash flows used in financing activities		**(37,942)**	(21,835)	**(69,278)**	(49,963)
Net change in cash		**7,756**	16,984	**(37,295)**	33,747
(Bank indebtedness) cash - beginning of period		**(2,097)**	25,970	**42,954**	9,207
Cash - end of period		**$ 5,659**	$ 42,954	**$ 5,659**	$ 42,954

DECEMBER 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 equipment, industrial components and power systems, through a network of 117 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 interim 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") and the condensed consolidated financial statements of the Corporation for the three months ended March 31, 2011, which were the first financial statements presented under IFRS.

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 14. 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 was January 1, 2010.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements that have been measured at fair value. The defined benefit liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

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 in 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. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The new standards or amendments to existing standards set out below are not yet effective for the three and twelve months ended December 31, 2011 and have not been applied in preparing these condensed consolidated financial statements.

As of January 1, 2015, 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.

As of January 1, 2013, the Corporation will be required to adopt IFRS 10 *Consolidated Financial Statements*, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The Corporation does not expect IFRS 10 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 13 *Fair Value Measurement*, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other standards. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 1 *Presentation of Financial Statements*, which require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

As of January 1, 2013, the Corporation will be required to adopt IAS 19 *Employee Benefits*, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of $4,996 during the quarter (2010 - $2,979) and $20,177 year to date (2010 - $5,775). Rental equipment with a carrying amount of $777 during the quarter (2010 - $689) and $3,073 year to date (2010 - $2,624) 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

The Corporation acquired property, plant and equipment with a cost of $4,642 during the quarter (2010 - $3,143) and $12,777 year to date (2010 - $7,213). Assets with a carrying amount of $220 during the quarter (2010 - $264) and $680 year to date (2010 - $1,013) were disposed of, resulting in losses on disposal of $75 during the quarter (2010 – $10) and $61 year to date (2010 – gains of $111).

Included in property, plant and equipment are vehicles held under finance leases as follows:

	Three months ended December 31		Twelve months ended December 31	
	2011	2010	**2011**	2010
Cost, beginning of period	**$ 22,748**	$ 21,412	**$ 22,006**	$ 22,433
Additions	**1,968**	1,469	**5,400**	3,081
Disposals	**(452)**	(875)	**(2,333)**	(3,508)
Purchased at end of lease	**(173)**	-	**(982)**	-
Cost, end of period	**$ 24,091**	$ 22,006	**$ 24,091**	$ 22,006
Accumulated depreciation, beginning of period	**12,687**	12,472	**12,542**	12,589
Charge for the period	**802**	716	**3,031**	2,645
Disposals	**(353)**	(646)	**(1,848)**	(2,692)
Purchased at end of lease	**(127)**	-	**(716)**	-
Accumulated depreciation, end of period	**13,009**	12,542	**13,009**	12,542
Net book value	**$ 11,082**	$ 9,464	**$ 11,082**	$ 9,464

All property, plant and equipment except vehicles held under finance leases have been pledged as security for bank debt.

6. INTANGIBLE ASSETS

		Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software		**Total**
Cost							
January 1, 2011	**$**	**66,335**	**4,900**	**4,302**	**7,053**	**$**	**82,590**
Acquisition of business (Note 12)		**4,309**	**3,900**	**1,000**	**42**		**9,251**
Additions					**664**		**664**
December 31, 2011	**$**	**70,644**	**8,800**	**5,302**	**7,759**	**$**	**92,505**
January 1, 2010	$	66,335	4,900	4,302	7,093	$	82,630
Additions					3,220		3,220
Disposals					(3,260)		(3,260)
December 31, 2010	$	66,335	4,900	4,302	7,053	$	82,590
Accumulated amortization							
January 1, 2011	**$**	**-**	**-**	**2,565**	**4,231**	**$**	**6,796**
Amortization for the year		**-**	**-**	**530**	**686**		**1,216**
December 31, 2011	**$**	**-**	**-**	**3,095**	**4,917**	**$**	**8,012**
January 1, 2010	$	-	-	2,032	7,059	$	9,091
Amortization for the year		-	-	533	433		966
Disposals					(3,261)		(3,261)
December 31, 2010	$	-	-	2,565	4,231	$	6,796
Carrying amount							
December 31, 2011	**$**	**70,644**	**8,800**	**2,207**	**2,842**	**$**	**84,493**
January 1, 2010	$	66,335	4,900	2,270	34	$	73,539
December 31, 2010	$	66,335	4,900	1,737	2,822	$	75,794

7. TRADE AND OTHER PAYABLES

		December 31, 2011		December 31, 2010
Trade payables	**$**	**139,828**	$	124,852
Other payables		**12,362**		7,103
Deferred income		**10,918**		2,877
Total trade and other payables	**$**	**163,108**	$	134,832

8. DIVIDENDS DECLARED

During the three months ended December 31, 2011 the Corporation declared cash dividends of $0.60 per share, or $9,978 (December 31, 2010, distributions of $1.65 per unit or $27,437).

Year to date, the Corporation declared cash dividends of $2.14 per share, or $35,587 (December 31, 2010, distributions of $3.40 per unit or $56,500).

The Corporation has declared dividends of $3,326 ($0.20 per share) for the month of January 2012.

9. 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 Share Unit Plan ("DSUP").

a) Share Rights Plans

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 of 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.

Whenever dividends are paid on the Corporation's shares, participants of these plans are granted a number of additional rights equal to the aggregate dollar value of the dividends that would have been paid to each participant if they had received shares under this plan rather than rights, divided by the value of shares on the date that such dividends are paid ("dividend equivalents"). No compensation cost is recorded for these additional rights.

The Corporation recorded compensation recovery of $386 for the quarter (2010 – recovery of $232) and compensation cost of $957 for the year to date (2010 – cost of $635) in respect of these plans.

Share Ownership Plan	**December 31, 2011**			December 31, 2010		
	Number of Rights		Fair value at time of grant	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**101,999**	**$**	**1,024**	126,125	$	1,346
Granted in the year – new grants	**-**		**-**	-		-
– dividend equivalents	**7,789**		**-**	11,025		-
Settled in the year	**-**		**-**	(26,021)		(242)
Forfeited in the year	**-**		**-**	(9,130)		(80)
Outstanding at end of year	**109,788**	**$**	**1,024**	101,999	$	1,024

At December 31, 2011 105,213 SOP rights were vested (December 31, 2010 – 93,593).

Deferred Share Program	**December 31, 2011**			December 31, 2010		
	Number of Rights		Fair value at time of grant	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**24,164**	**$**	**600**	21,944	$	600
Granted in the year – new grants	**3,989**		**150**	2,220		-
– dividend equivalents	**2,063**		**-**			-
Outstanding at end of year	**30,216**	**$**	**750**	24,164	$	600

All DSP rights have vested at December 31, 2011 (no rights had vested at December 31, 2010).

Directors' Deferred Share Unit Plan

	December 31, 2011			December 31, 2010		
	Number of Rights		Fair value at time of grant	Number of Rights		Fair value at time of grant
Outstanding at beginning of year	**147,797**	**$**	**2,509**	117,518	$	2,008
Granted in the year – new grants	**17,148**		**625**	17,562		501
– dividend equivalents	**11,646**		**-**	12,717		-
Outstanding at end of year	**176,591**	**$**	**3,134**	147,797	$	2,509

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 vesting period. The Corporation recorded compensation cost of $399 for the quarter (2010 - $1,000) and $4,251 for the year to date (2010 - $3,163) in respect of the share-based portion of the MTIP. At December 31, 2011 the carrying amount of the share-based portion of the MTIP liability was $8,103 (2010 - $3,852).

c) Deferred Share 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. Compensation expense for DSUP rights varies with the price of the Corporation's shares and is recognized over the vesting period. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. The Corporation recorded compensation cost of $169 for the year ended December 31, 2011 (year ended December 31, 2010 - nil) in respect of the share-based portion of the DSUP. At December 31, 2011 the carrying amount of the DSUP liability was $169 (2010 – nil).

10. 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 which is subject to income tax on all of its taxable income at combined federal and provincial rates.

Prior to conversion, the Corporation 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 year ended December 31		**2011**		2010
Current	**$**	**442**	$	112
Deferred – Origination and reversal of temporary difference		**24,401**		117
– Change in tax law and rate		**(1,164)**		(2,683)
Income tax expense (recovery)	**$**	**23,679**	$	(2,454)

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 year ended December 31		**2011**		2010
Combined statutory income tax rate		**27.7%**		29.4%
Expected income tax expense at statutory rates	**$**	**24,233**	$	15,857
Income of the Fund taxed directly to unitholders		**-**		(15,961)
Non-deductible expenses		**621**		315
Deferred tax related to changes in tax law and rates		**(1,164)**		(2,683)
Other		**(11)**		18
Income tax expense (recovery)	**$**	**23,679**	$	(2,454)

Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities and the movement in temporary differences during the year are as follows:

		December 31, 2010	Recognized in profit or loss	Recognized in other comprehensive income		December 31, 2011
Accrued liabilities	**$**	**4,792**	**457**		**$**	**5,249**
Provisions		**2,400**	**104**			**2,504**
Employee benefits		**1,065**	**(198)**	**885**		**1,752**
Property, plant and equipment		**(1,418)**	**(355)**			**(1,773)**
Finance leases		**(147)**	**(48)**			**(195)**
Intangible assets		**(2,052)**	**(303)**			**(2,355)**
Deferred financing costs		**(38)**	**9**			**(29)**
Partnership income not currently taxable			**(23,236)**			**(23,236)**
Tax loss carryforwards			**333**			**333**
Derivative instruments		**675**		**(619)**		**56**
Net deferred tax assets (liabilities)	**$**	**5,277**	**(23,237)**	**266**	**$**	**(17,694)**

		January 1, 2010	Recognized in profit or loss	Recognized in other comprehensive income		December 31, 2010
Accrued liabilities	$	1,538	3,254		$	4,792
Provisions		2,178	222			2,400
Employee benefits		883	(35)	217		1,065
Property, plant and equipment		(1,308)	(110)			(1,418)
Finance leases		38	(185)			(147)
Intangible assets		(1,910)	(142)			(2,052)
Deferred financing costs		(46)	8			(38)
Partnership income not currently taxable						
Tax loss carryforwards		446	(446)			
Derivative instruments		410		265		675
Net deferred tax assets	$	2,229	2,566	482	$	5,277

11. EARNINGS PER SHARE

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

	Three months ended December 31				Twelve months ended December 31			
		2011		2010		**2011**		2010
Numerator for basic and diluted earnings per unit:								
– net earnings	**$**	**16,561**	$	15,787	**$**	**63,803**	$	56,390
Denominator for basic earnings per unit: – weighted average units		**16,629,444**		16,629,444		**16,629,444**		16,613,676
Denominator for diluted earnings per unit:								
– weighted average units		**16,629,444**		16,629,444		**16,629,444**		16,613,676
– effect of dilutive unit rights		**307,790**		256,635		**294,555**		260,924
Denominator for diluted earnings per unit		**16,937,234**		16,886,079		**16,923,999**		16,874,600
Basic earnings per unit	**$**	**1.00**	$	0.95	**$**	**3.84**	$	3.39
Diluted earnings per unit	**$**	**0.98**	$	0.93	**$**	**3.77**	$	3.34

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

12. ACQUISITION OF BUSINESS

On May 2, 2011, the Corporation's Power Systems segment acquired certain assets of Harper Power Products Inc. ("Harper") for consideration of $23,247. The acquisition price was funded through the Corporation's existing bank credit facility. The acquisition secures the Ontario distribution rights for certain product lines and complements the segment's existing product distribution rights in the rest of Canada, except for portions of British Columbia.

For the eight months since the acquisition, Harper contributed revenue of $49,311 and net earnings of $2,978 to the year to date results. Had the acquisition occurred on January 1, 2011 the Corporation estimates that it would have reported revenue of $1,401,755 and net earnings of $65,013 on its consolidated statement of earnings for the year ended December 31, 2011. In determining these amounts, management has assumed that the level of business activity experienced by Harper after May 2, 2011 is representative of the level of business activity that it would have experienced prior to the acquisition.

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

Trade and other receivables	$	11,662
Inventories		7,032
Prepaid expenses		218
Property, plant and equipment		1,878
Trade and other payables		(6,794)
Tangible net assets acquired		13,996
Intangible assets (note 6)		9,251
Total	$	23,247

An amount of $21,603 was paid on closing based upon a preliminary estimate of tangible net assets acquired. In the third quarter an additional amount of $1,644 was paid to the vendors based on an updated determination of the value of the tangible net assets acquired.

The goodwill is mainly attributable to the skills and technical talent of Harper's workforce and its existing branch network, synergies expected to be achieved from integrating the business into the existing Power Systems segment and the value expected to be generated from initiatives, such as growing the power generation business in Ontario. Amounts attributed to intangible assets will be 75% deductible for income tax purposes.

The Corporation incurred acquisition-related costs of $385 relating to external legal fees and due diligence costs. These costs have been included in selling and administrative expenses on the consolidated statement of earnings.

13. OPERATING SEGMENTS

The Corporation operates through a network of 117 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 equipment; ii) the distribution, servicing and assembly of industrial components; and iii) the distribution and servicing of power systems.

For the three months ended December 31, 2011	Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 117,581	$	$ 42,341	$	$ 159,922
Parts	44,004	85,185	35,273		164,462
Service	22,854	5,007	16,329		44,190
Rental and other	7,849		1,546	(787)	8,608
Revenue	$ 192,288	$ 90,192	$ 95,489	$ (787)	$ 377,182
Segment earnings before finance costs and income taxes	$ 14,337	$ 5,902	$ 7,885	$	$ 28,124
Corporate costs and eliminations				(4,490)	(4,490)
Earnings before finance costs and income taxes	14,337	5,902	7,885	(4,490)	23,634
Finance costs				1,153	1,153
Income tax expense				5,920	5,920
Net earnings	$ 14,337	$ 5,902	$ 7,885	$ (11,563)	$ 16,561

For the twelve months ended December 31, 2011	Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 397,613	$	$ 155,876	$	$ 553,489
Parts	173,188	328,993	125,509		627,690
Service	84,697	18,545	61,134		164,376
Rental and other	30,342		4,906	(3,703)	31,545
Revenue	$ 685,840	$ 347,538	$ 347,425	$ (3,703)	$ 1,377,100
Segment earnings before finance costs and income taxes	$ 50,193	$ 23,106	$ 32,915	$	$ 106,214
Corporate costs and eliminations				(14,102)	(14,102)
Earnings before finance costs and income taxes	50,193	23,106	32,915	(14,102)	92,112
Finance costs				4,630	4,630
Income tax expense				23,679	23,679
Net earnings	$ 50,193	$ 23,106	$ 32,915	$ (42,411)	$ 63,803

Segment assets excluding intangible assets	$ 238,161	$ 114,714	$ 146,695	$	$ 499,570
Intangible assets	22,083	47,643	14,760	7	84,493
Cash				5,659	5,659
Corporate and other assets				204	204
Total assets	$ 260,244	$ 162,357	$ 161,455	$ 5,870	$ 589,926

For the three months ended December 31, 2010	Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 94,306	$	$ 43,752	$	$ 138,058
Parts	39,468	72,880	21,810		134,158
Service	18,597	4,900	13,871		37,368
Rental and other	7,349		717	(1,294)	6,772
Revenue	$ 159,720	$ 77,780	$ 80,150	$ (1,294)	$ 316,356
Segment earnings before finance costs and income taxes	$ 10,834	2,622	6,477	$	$ 19,933
Corporate costs and eliminations				(4,044)	(4,044)
Earnings before finance costs and income taxes	10,834	2,622	6,477	(4,044)	15,889
Finance costs				1,014	1,014
Income tax recovery				(912)	(912)
Net earnings	$ 10,834	$ 2,622	$ 6,477	$ (4,146)	$ 15,787

For the twelve months ended December 31, 2010	Equipment	Industrial Components	Power Systems	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 301,605	$	$ 114,230	$	$ 415,835
Parts	153,708	285,270	88,237		527,215
Service	69,744	16,928	52,479		139,151
Rental and other	30,754		2,347	(4,414)	28,687
Revenue	$ 555,811	$ 302,198	$ 257,293	$ (4,414)	$ 1,110,888
Segment earnings before finance costs and income taxes	$ 39,006	$ 11,998	$ 19,176	$	$ 70,180
Corporate costs and eliminations				(11,967)	(11,967)
Earnings before finance costs and income taxes	39,006	$ 11,998	$ 19,176	(11,967)	58,213
Finance costs				4,277	4,277
Income tax recovery				(2,454)	(2,454)
Net earnings	$ 39,006	$ 11,998	$ 19,176	$ (13,790)	$ 56,390

Segment assets excluding intangible assets	$ 208,266	$ 101,548	$ 88,770	$	$ 398,584
Intangible assets	21,631	48,414	5,733	16	75,794
Cash				42,954	42,954
Corporate and other assets				5,216	5,216
Total assets	$ 229,897	$ 149,962	$ 94,503	$ 48,186	$ 522,548

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.

14. 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 of the condensed consolidated financial statements of the Corporation for the three months ended March 31, 2011 have been applied in preparing the condensed consolidated financial statements for the three and twelve months ended December 31, 2011.

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 Statement of Earnings

For the three months ended December 31, 2010		Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Share-based payment IFRS 2		IFRS
(In thousands of Canadian dollars)								
Revenue	$	316,356					$	316,356
Cost of sales		251,698			376			252,074
Gross profit		64,658			(376)			64,282
Selling and administrative expenses		49,564	(35)	(399)		(737)		48,393
Earnings before finance costs and income taxes		15,094	35	399	(376)	737		15,889
Finance costs		951		63				1,014
Earnings before income taxes		14,143	35	336	(376)	737		14,875
Income tax expense (recovery)		(905)	8	89	(104)			(912)
Net earnings	$	15,048	27	247	(272)	737	$	15,787

Reconciliation of Consolidated Statement of Comprehensive Income

For the three months ended December 31, 2010		Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Share-based payment IFRS 2		IFRS
(In thousands of Canadian dollars)								
Net earnings	$	15,048	27	247	(272)	737	$	15,787
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		661						661
Gains on derivative instruments designated as cash flow hedges during the period, net of tax		(365)						(365)
Other comprehensive income, net of tax		296	(628)	-	-			(332)
Total comprehensive income	$	15,344	(601)	247	(272)	737	$	15,455

Reconciliation of Consolidated Statement of Earnings

For the twelve months ended December 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Share-based payment IFRS 2	IFRS
(In thousands of Canadian dollars)						
Revenue	$ 1,110,888					$ 1,110,888
Cost of sales	873,061			(29)		873,032
Gross profit	237,827			29		237,856
Selling and administrative expenses	181,397	(140)	(877)		(737)	179,643
Earnings before finance costs and income taxes	56,430	140	877	29	737	58,213
Finance costs	4,094		183			4,277
Earnings before income taxes	52,336	140	694	29	737	53,936
Income tax expense (recovery)	(2,683)	35	185	9		(2,454)
Net earnings	$ 55,019	105	509	20	737	$ 56,390

Reconciliation of Consolidated Statement of Comprehensive Income

For the twelve months ended December 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Share-based payment IFRS 2	IFRS
(In thousands of Canadian dollars)						
Net earnings	$ 55,019	105	509	20	737	$ 56,390
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
Gains on derivative instruments designated as cash flow hedges during the period, net of tax	(482)					(482)
Other comprehensive income, net of tax	456	(628)	-	-		(172)
Total comprehensive income	$ 55,475	(523)	509	20	737	$ 56,218

Reconciliation of Consolidated Statement of Financial Position

As at December 31, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Share-based payment IFRS 2	Income Tax IAS 12	Reclass	IFRS
(In thousands of Canadian dollars)								
ASSETS								
CURRENT								
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 taxes	6,466					(6,466)		-
	386,933			1,708		(6,466)		382,175
NON-CURRENT								
Rental equipment	15,794							15,794
Property, plant and equipment	36,626		9,464				(2,822)	43,268
Intangible assets	72,972						2,822	75,794
Deferred taxes	-	1,065	(146)			4,358		5,277
Employee benefits	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
LIABILITIES AND SHAREHOLDERS' EQUITY								
CURRENT								
Trade and other payables	$ 134,540	292						$ 134,832
Accrued liabilities	64,229				(6)		(461)	63,762
Provisions	4,892						461	5,353
Distributions payable	12,472							12,472
Income taxes payable	1,599			473				2,072
Obligations under finance leases	-		3,677					3,677
Derivative instruments	2,452							2,452
Bank debt	79,680							79,680
	299,864	292	3,677	473	(6)			304,300
NON-CURRENT								
Provisions	4,338							4,338
Deferred taxes	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
SHAREHOLDERS' EQUITY								
Trust units	105,892				(521)			105,371
Contributed surplus	6,426				(2,495)			3,931
Retained earnings	90,148	(3,014)	414	1,235	3,022			91,805
Accumulated other comprehensive loss	(1,777)							(1,777)
Total shareholders' equity	200,689	(3,014)	414	1,235	6			199,330
	$ 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. Rental equipment additions are classified as operating activities whereas they were previously classified as investing activities. 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, *Income Taxes*, 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) Share-based Payment (IFRS 2)

Under Canadian GAAP, the Corporation expensed dividend equivalents granted on share rights plans. Under IFRS the grant date fair value reflects all dividend rights therefore no additional compensation cost is recorded.

(f) Comparative Information

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

In particular, cash discounts provided to customers in an amount of $261 for the quarter and $978 year to date have been reclassified out of selling and administrative expenses into revenue.

In addition, cash discounts received from vendors in an amount of $352 for the quarter and $1,265 year to date have been reclassified out of selling and administrative expenses into cost of sales.

Software with a net book value of $2,822 at December 31, 2010 has been reclassified out of property, plant and equipment and into intangible assets.