FOURTH QUARTER REPORT TO UNITHOLDERS

FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2010

W A J A X   I N C O M E   F U N D   **2 0 1 0**

WAJAX CORPORATION (WJX)
News Release

WAJAX ANNOUNCES SIGNIFICANTLY IMPROVED FOURTH QUARTER 2010 RESULTS

(Dollars in millions, except per unit data)	Three Months Ended December 31		Year Ended December 31	
	2010	2009	2010	2009
CONSOLIDATED RESULTS				
Revenue	$316.6	$259.1	$1,111.9	$1,007.2
Net earnings	$15.0	$8.3	$55.0	$34.2
Basic earnings per unit	$0.90	$0.50	$3.31	$2.06
Distributable cash [(1)]	$12.9	$10.0	$54.5	$42.3
Basic distributable cash per unit [(1)]	$0.77	$0.60	$3.28	$2.55
SEGMENTS				
Revenue - Mobile Equipment	$159.7	$133.4	$555.8	$502.9
- Industrial Components	$78.0	$67.5	$303.2	$281.0
- Power Systems	$80.1	$57.1	$257.3	$226.7
Earnings - Mobile Equipment	$10.7	$8.3	$38.1	$30.5
% margin	*6.7%*	*6.2%*	*6.9%*	*6.1%*
- Industrial Components	$2.6	$1.0	$12.0	$4.7
% margin	*3.3%*	*1.5%*	*3.9%*	*1.7%*
- Power Systems	$6.6	$1.4	$19.2	$8.8
% margin	*8.3%*	*2.5%*	*7.4%*	*3.9%*

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

Toronto, Ontario – February 25, 2011 – Wajax Corporation today announced significantly improved fourth quarter 2010 results recorded by Wajax Income Fund. Effective January 1, 2011 Wajax Income Fund converted to Wajax Corporation pursuant to a Plan of Arrangement under the Canada Business Corporations Act.

Fourth Quarter Highlights

- Consolidated fourth quarter revenue of $316.6 million increased $57.5 million, or 22% compared to last year. Mobile Equipment revenue increased 20% on strength in all major product categories. Power Systems revenue grew 40% mainly as a result of the delivery of a large order for marine power packages in eastern Canada, as well as strength in the western Canada energy sector. Industrial Components revenue increased 16% on improved market demand in a number of industries.

- Net earnings for the quarter of $15.0 million, or $0.90 per unit, increased significantly compared to $8.3 million, or $0.50 per unit, recorded in 2009. Higher revenue in all three businesses and increased gross profit margins in Power Systems and Industrial Components drove the improvement in earnings.

- Fourth quarter basic distributable cash (See Non-GAAP Measures section in the MD&A) increased to $0.77 per unit for the quarter compared to $0.60 per unit in the previous year due to the improved earnings, partially offset by higher maintenance capital spending.

- Consolidated order backlog at December 31, 2010 of $217.3 million increased 29% and 78% compared to September 30, 2010 and December 31, 2009 respectively on higher order intake in a number of sectors.

- Funded debt, net of cash of $36.7 million was reduced by $16.9 million in the quarter on non-cash working capital reductions.

- The Corporation declared monthly dividends of $0.15 per unit ($1.80 annualized) for March and April.

Commenting on the results for 2010 and the outlook for 2011, Neil Manning, President and CEO, stated "With a 61% increase in net earnings, we are very pleased with our overall 2010 results. As the year progressed we saw steady improvement in the vast majority of our end markets coming off the recession in 2009. Looking forward to 2011, we expect overall demand for our products and services to continue to grow led by the mining and energy sectors, as evidenced by our strengthened backlog position at the end of 2010. However, with the continuing robust worldwide demand for most commodities, the increased requirement for mining equipment has begun to once again push out delivery lead times. That said, with a steadily expanding economy and the successful implementation of our growth strategies, we expect to generate a further increase in revenue and earnings before income taxes in 2011.

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

Wajax is a diversified corporation that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of 108 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Forward-Looking Statements

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

Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Undue reliance should not be placed on forward-looking statements, as a number of factors could cause the actual results to differ materially from the expectations expressed in the forward-looking statements. Information on risk factors is included in the Management's Discussion and Analysis for the year ended December 31, 2010 under the heading "Risk and Uncertainties", and in other reports filed by the Fund and the Corporation with Canadian securities regulators and available at www.sedar.com.

Management's Discussion and Analysis – Q4 2010

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

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

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

Additional information, including Wajax's Annual Report and Annual Information Form, are available 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 interim Unaudited 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 interim Unaudited Consolidated Financial Statements and accompanying notes.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

Wajax Income Fund Overview and Conversion to Corporate Structure

As at December 31, 2010 the Fund was an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

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

Wajax Corporation intends to declare and pay a high proportion of net earnings in the form of monthly dividends. Dividends, at the discretion of the Board of Directors, will generally be payable to shareholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax Corporation, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax Corporation, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. See the Forward-Looking Information and Risks and Uncertainties sections.

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

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

Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of Wajax. Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting Wajax and its business operations, changes in taxation of Wajax, general business conditions and economic conditions in the markets in which Wajax and its customers compete, fluctuations in commodity prices, Wajax's relationship with its suppliers and manufacturers and its access to quality products, the ability of Wajax to maintain and expand its customer base, actual future market conditions being different than anticipated by management and the Board of Directors of Wajax, and actual future operating and financial results of Wajax being different than anticipated by management and the Board of Directors of Wajax. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by Wajax with Canadian securities regulators and available at www.sedar.com. See also the full details of the conversion included in the Management Proxy Circular for the Fund's unitholder meeting held on May 7, 2010 and which is available at www.sedar.com . The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and Wajax does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Consolidated Results

	Three months ended December 31		Year ended December 31	
	2010	2009(3)	**2010**	2009(3)
Revenue	**$316.6**	$259.1	**$1,111.9**	$1,007.2
Gross profit	**$64.6**	$49.9	**$237.5**	$202.6
Selling and administrative expenses	**$49.5**	$41.0	**$181.1**	$165.9
Earnings before interest and income taxes	**$15.1**	$8.9	**$56.4**	$36.7
Interest expense	**$1.0**	$1.0	**$4.1**	$4.5
Income tax recovery	**($0.9)**	($0.4)	**($2.7)**	($2.0)
Net earnings	**$15.0**	$8.3	**$55.0**	$34.2
Distributable cash(1)	**$12.9**	$10.0	**$54.5**	$42.3
Cash distributions declared	**$27.4**	$7.5	**$56.5**	$41.0
Distributions paid	**$20.8**	$7.5	**$46.5**	$44.5
Earnings per unit				
- Basic	**$0.90**	$0.50	**$3.31**	$2.06
- Diluted	**$0.89**	$0.50	**$3.26**	$2.04
Distributable cash per unit (1)				
- Basic(2)	**$0.77**	$0.60	**$3.28**	$2.55
- Diluted	**$0.76**	$0.59	**$3.23**	$2.52
Cash distributions declared per unit (2)	**$1.65**	$0.45	**$3.40**	$2.47
Distributions paid per unit (2)	**$1.25**	$0.45	**$2.80**	$2.68

(1) Non-GAAP measure, see the Non-GAAP Measures and Distributable Cash sections.
(2) Based on actual number of units outstanding on the relevant record date.
(3) Certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers in an amount of $8.2 million for the quarter and $34.1 million year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of $15.1 million for the quarter and $65.0 million year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

Revenue
Revenue in the fourth quarter of 2010 increased 22% or $57.5 million to $316.6 million, from $259.1 million in 2009. Segment revenue increased 20% in Mobile Equipment, 16% in Industrial Components and 40% in Power Systems compared to last year. For the twelve months ended December 31, 2010, revenue increased 10% or $104.7 million.

Gross profit
Gross profit in the fourth quarter of 2010 increased $14.7 million due to the positive impact of higher volumes and gross profit margins compared to last year. The gross profit margin percentage for the quarter increased to 20.4% in 2010 from 19.3% in 2009 due primarily to improved margins in Power Systems and Industrial Components.

For the twelve months ended December 31, 2010, gross profit increased $34.9 million due to the positive impact of higher volumes and gross profit margins compared to last year. The gross profit margin percentage increased to 21.4% in 2010 from 20.1% in 2009 on improved margins in all segments.

Selling and administrative expenses
Selling and administrative expenses increased $8.5 million in the quarter compared to last year due mainly to higher personnel costs, including $4.5 million of annual and mid-term incentive accruals, and other sales related expenses. Selling and administrative expenses as a percentage of revenue decreased to 15.6% in 2010 from 15.8% in 2009.

For the twelve months ended December 31, 2010, selling and administrative expenses increased $15.2 million compared to last year due to increases in personnel costs, including $12.0 million of annual and mid-term incentive accruals, and higher bad debt costs in Mobile Equipment compared to last year. Selling and administrative expenses as a percentage of revenue decreased to 16.3% in 2010 from 16.5% in 2009.

Interest expense
Quarterly interest expense of $1.0 million remained the same compared to last year.

For the twelve months ended December 31, 2010, interest expense decreased $0.4 million compared to 2009 due mainly to lower funded debt net of cash ("funded net debt") outstanding in 2010.

Income tax expense
The effective income tax recovery rate of 6.4% for the quarter increased from 5.2% the previous year and included a $1.0 million future tax recovery adjustment (2009 - $Nil). The future income tax recovery is mostly due to an adjustment made to reflect the Fund's temporary differences that are estimated to reverse in taxable income after 2010, tax effected at rates that will apply in the periods the differences are expected to reverse. This reflects an adjustment to the amount of the Fund's taxable temporary differences that are estimated to reverse after 2010, tax effected at rates that will apply in the year the differences are expected to reverse. Last year, a $0.4 million recovery of current income tax expense resulted from a tax loss in the Fund's subsidiary, Wajax Limited.

For the twelve months ended December 31, 2010, the effective income tax recovery rate of 5.1% decreased from 6.2% the previous year and included a $2.8 million future tax recovery adjustment (2009 - $0.3 million). The future income tax recovery is mostly due to an adjustment made to reflect the Fund's temporary differences that are estimated to reverse in taxable income after 2010, tax effected at rates that will apply in the periods the differences are expected to reverse. Last year, a $1.7 million recovery of current tax expense resulted from a tax loss in the Fund's subsidiary Wajax Limited.

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

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

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

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

Net earnings
Quarterly net earnings of $15.0 million, or $0.90 per unit, increased $6.7 million from $8.3 million, or $0.50 per unit, in 2009. The positive impact of higher volumes and gross profit margins and increased income tax recoveries more than offset higher selling and administrative expenses compared to last year.

For the twelve months ended December 31, 2010, net earnings increased $20.8 million to $55.0 million, or $3.31 per unit, from $34.2 million, or $2.06 per unit, in 2009. Higher volumes and gross profit margins, increased income tax recoveries and lower interest expense more than offset higher selling and administrative expenses compared to last year.

Comprehensive income

Comprehensive income for the quarter of $15.3 million increased $6.7 million from $8.6 million the previous year due to the $6.7 million increase in net earnings. Other comprehensive income remained the same as an increase in losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory or interest expense in the current period were offset by an increase in losses on derivative contracts designated as cash flow hedges outstanding at the end of the quarter.

For the twelve months ended December 31, 2010, comprehensive income of $55.5 million increased $21.3 million from $34.2 million the previous year due to the $20.8 million increase in net earnings and a $0.4 million increase in other comprehensive income compared to last year. The increase in other comprehensive income resulted from losses on derivative contracts designated as cash flow hedges in prior periods transferred to cost of inventory or interest expense in the current year, partially offset by losses on derivative contracts designated as cash flow hedges outstanding at the end of the period.

Funded net debt

Funded net debt of $36.7 million decreased $16.9 million compared to September 30, 2010. Fourth quarter cash flows from operating activities before changes in non-cash working capital of $18.9 million and a decrease in non-cash working capital of $23.9 million were partially offset by cash distributions of $20.8 million and capital spending of $5.1 million. Compared to December 31, 2009 funded net debt decreased $33.5 million. Wajax's quarter-end debt-to-equity ratio of 0.18:1 at December 31, 2010 decreased from last quarter's ratio of 0.25:1 and last year's ratio of 0.35:1.

Wajax's $175 million bank credit facility expires December 31, 2011. Management expects to be able to enter into a new credit facility by the end of 2011.

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

For the quarter ended December 31, 2010 distributable cash was $12.9 million, or $0.77 per unit, compared to $10.0 million, or $0.60 per unit, the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital, offset partially by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year.

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

For the quarter ended December 31, 2010 monthly cash distributions declared totaled $1.65 per unit (2009 - $0.45 per unit) and included monthly distributions of $0.15 per unit for the months of October, November and December, and special distributions of $0.20 per unit, $0.40 per unit and $0.60 per unit for the months of October, November and December, respectively.

For the twelve months ended December 31, 2010 monthly cash distributions declared totaled $3.40 per unit (2009 - $2.47 per unit) and included total monthly distributions of $1.80 per unit (2009 - $2.47 per unit) plus total special distributions of $1.60 per unit (2009 - $Nil). Cash distributions declared for the twelve months ended December 31, 2010 exceeded distributable cash by $2.0 million and were funded through the Fund's bank credit facilities.

On January 4, 2011 Wajax announced monthly dividends of $0.15 per share ($1.80 annualized) for January and for February 2011, payable on February 22, 2011 and March 21, 2011 to shareholders of record on January 31, 2011 and February 28, 2011 respectively. These dividends are eligible dividends within the meaning of the Income Tax Act (Canada). See Wajax Income Fund Overview and Conversion to Corporate Structure section.

On February 25, 2011 Wajax announced monthly dividends of $0.15 per share ($1.80 annualized) for March and for April, payable on April 20, 2011 and May 20, 2011 to shareholders of record on March 31, 2011 and April 29, 2011 respectively.

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

Backlog
Consolidated backlog at December 31, 2010 of $217.3 million increased $49.1 million, or 29%, from $168.2 million at September 30, 2010 due to increases in order intakes in all segments.

Quarterly Results of Operations

Mobile Equipment

	Three months ended December 31		**Year ended December 31**	
	2010	2009	**2010**	2009
Equipment	**$101.7**	$82.0	**$332.4**	$290.1
Parts and service	**$58.0**	$51.4	**$223.4**	$212.8
Segment revenue	**$159.7**	$133.4	**$555.8**	$502.9
Segment earnings	**$10.7**	$8.3	**$38.1**	$30.5
Segment earnings margin	***6.7%***	*6.2%*	***6.9%***	*6.1%*

Revenue in the fourth quarter of 2010 increased $26.3 million, or 20%, to $159.7 million from $133.4 million in the fourth quarter of 2009. Segment earnings for the quarter increased $2.4 million to $10.7 million compared to the fourth quarter of 2009. The following factors contributed to the Mobile Equipment segment's fourth quarter results:

- Equipment revenue increased $19.7 million compared to last year. Specific quarter-over-quarter variances included the following:
  - Forestry equipment sales increased $8.8 million attributable to higher market demand for all product lines including forestry related Hitachi, Tigercat and Peterson Pacific products.
  - Construction equipment revenue increased $5.0 million due to increased market demand in western and eastern Canada for new Hitachi excavators and JCB equipment.
  - Mining equipment sales increased $4.0 million resulting primarily from higher volumes in eastern Canada.
  - Material handling equipment revenue increased $1.5 million due to stronger market demand.
  - Crane and utility equipment revenue increased $0.4 million.

- Parts and service volumes increased $6.6 million compared to last year due principally to higher mining and construction sector sales.

- Segment earnings increased $2.4 million to $10.7 million compared to last year as the positive impact of higher volumes outweighed a $1.5 million increase in selling and administrative expenses. Selling and administrative expenses increased compared to last year as a result of higher personnel costs, including annual and mid-term incentive accruals, and other sales related expenses.

Backlog of $94.0 million at December 31, 2010 increased $21.6 million compared to September 30, 2010 due mainly to increases in mining and construction equipment order intake.

Industrial Components

	Three months ended December 31		Year ended December 31	
	2010	2009	**2010**	2009
Segment revenue	**$78.0**	$67.5	**$303.2**	$281.0
Segment earnings	**$2.6**	$1.0	**$12.0**	$4.7
Segment earnings margin	***3.3%***	*1.5%*	***3.9%***	*1.7%*

Revenue of $78.0 million increased $10.5 million, or 16%, from $67.5 million in the fourth quarter of 2009. Segment earnings increased $1.6 million to $2.6 million in the quarter compared to the previous year. The following factors contributed to the segment's fourth quarter results:

- Bearings and power transmission parts sales increased $3.5 million compared to last year due mainly to higher mining and forestry sector volumes across all regions and increased sales to metal processing and industrial customers in eastern Canada.

- Fluid power and process equipment products and service revenue increased $7.0 million due primarily to improved oil and gas drilling activities in western Canada and increased sales to industrial customers in western and eastern Canada. Higher mining sector volumes in eastern Canada and increased sales to metal processing customers also contributed to the increase.

- Segment earnings increased $1.6 million compared to last year. The positive impact of higher volumes and gross margins outweighed a $2.1 million increase in selling and administrative expenses. Margins were higher on fluid power and process equipment products compared to last year. Selling and administrative expenses increased due primarily to higher personnel costs, including annual and mid-term incentive accruals and commissions.

Backlog of $35.4 million as of December 31, 2010 increased $6.1 million compared to September 30, 2010.

Power Systems

	Three months ended December 31		Year ended December 31	
	2010	2009	**2010**	2009
Equipment	**$44.5**	$25.3	**$116.6**	$91.5
Parts and service	**$35.7**	$33.8	**$140.8**	$135.2
Segment revenue	**$80.2**	$59.1	**$257.3**	$226.7
Segment earnings	**$6.7**	$1.4	**$19.2**	$8.8
Segment earnings margin	***8.3%***	*2.4%*	***7.4%***	*3.9%*

Revenue in the fourth quarter increased $21.1 million, or 36%, to $80.2 million compared to $59.1 million in 2009. Segment earnings increased $5.3 million to $6.7 million in the quarter compared to the previous year. The following factors impacted quarterly revenue and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada increased $4.6 million compared to last year. Equipment sales improved $1.6 million as higher product sales to oil and gas customers more than offset the impact of lower power generation equipment sales compared to last year. Parts and service revenue increased $3.0 million due mainly to higher sales to off-highway customers, including those in the mining and oil and gas sectors.

- Revenue at the eastern Canada operation, DDACE Power Systems ("DDACE") increased by $16.5 million compared to 2009. Equipment sales increased $17.6 million due to the delivery of a large order for marine power packages and higher generator set sales. Parts and service revenue decreased $1.1 million.

- Segment earnings increased $5.3 million compared to last year as the positive impact of higher volumes in both operations and higher gross margins at Waterous, more than offset a $1.9 million increase in selling and administrative expenses. Gross margins increased over four percentage points as a result of increases in equipment margins, due in part to cost overruns last year on generator set packages at Waterous, and higher parts and service margins. Selling and administrative expenses increased due to higher personnel costs, including annual and mid-term incentive accruals.

Backlog of $87.9 million as of December 31, 2010 increased $21.3 million compared to September 30, 2010 due mainly to increases in energy sectors orders.

Selected Quarterly Information

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

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

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

Cash Flow, Liquidity and Capital Resources

Cash Flows from Operating Activities

Cash flows from operating activities amounted to $42.8 million in the fourth quarter of 2010, compared to $41.1 million the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital of $7.7 million, offset partially by lower non-cash working capital reductions of $6.0 million.

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

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

Increase (decrease) in non-cash working capital	Three months ended December 31		Year ended December 31	
	2010	2009	**2010**	2009
Accounts receivable	**($11.8)**	($5.3)	**$12.0**	($39.2)
Inventories	**$4.5**	($29.1)	**$17.4**	($53.1)
Prepaid expenses and other recoverable amounts	**$1.5**	$3.3	**($0.6)**	$2.8
Accounts payable and accrued liabilities	**($18.0)**	$0.8	**($50.5)**	$29.3
Income taxes payable	**($0.1)**	$0.4	**($1.8)**	$2.9
Total	**($23.9)**	($29.9)	**($23.4)**	($57.3)

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

- Accounts payable and accrued liabilities increased $18.0 million. Higher inventory related trade payables, in Mobile Equipment and Power Systems, and increased bonus and mid-term incentive accruals were offset partially by a decrease in deferred income in Power Systems.
- Accounts receivable decreased $11.8 million due primarily to collection of a large receivable in Power Systems in the quarter and an overall reduction in the number of days sales outstanding.
- Inventories increased $4.5 million largely as a result of increases in Mobile Equipment offset in part by declines in Power Systems.
- Prepaid expenses increased $1.5 million due mainly to higher deposits with suppliers in Mobile Equipment and Power Systems.

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

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

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

Investing Activities

Wajax invested a net amount of $5.1 million in the fourth quarter of 2010 compared to $3.0 million the previous year. During the quarter, investing activities included $1.7 million of power generator set rental fleet additions net of disposals in Power Systems, $0.8 million of lift truck rental fleet additions net of disposals in Mobile Equipment and $2.6 million of other various capital asset additions net of disposals.

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

Financing Activities

Wajax used $20.8 million of cash in financing activities in the fourth quarter of 2010 compared to $28.5 million in the fourth quarter of 2009. Monthly cash distributions paid to unitholders totaled $20.8 million, or $1.25 per unit for the quarter ended December 31, 2010.

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

Funded net debt of $36.7 million at December 31, 2010 decreased $16.9 million compared to September 30, 2010. Fourth quarter cash flows from operating activities before changes in non-cash working capital of $18.9 million and a decrease in non-cash working capital of $23.9 million were offset by cash distributions of $20.8 million and capital spending of $5.1 million. Wajax's quarter-end debt-to-equity ratio of 0.18:1 at December 31, 2010 decreased from last quarter's ratio of 0.25:1.

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

Liquidity and Capital Resources

At December 31, 2010 Wajax had borrowed $80.0 million and issued $5.1 million of letters of credit for a total utilization of $85.1 million of its $175 million bank credit facility and had no utilization of its $15 million equipment financing facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2010 borrowing capacity under the bank credit facility was equal to $175 million.

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

The $175 million bank credit facility expires December 31, 2011. Management expects to be able to enter into a new credit facility by the end of 2011.

Lenders providing Wajax's $175 million bank credit facility agreed to the conversion of Wajax Income Fund to Wajax Corporation. See Wajax Income Fund Overview and Conversion to Corporate Structure section.

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. Wajax will be required to report using IFRS beginning January 1, 2011. As a result of adopting IFRS, Wajax anticipates that the reported values of its net assets, equity and earnings will change. The $175 million bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS. See the Accounting Changes section.

Financial Instruments

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

- Wajax has entered into the following interest rate swaps that have effectively fixed the interest rate on $80 million of Wajax's debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:

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

- Wajax enters into short-term currency forward contracts to fix the exchange rate on the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at December 31, 2010, Wajax had contracts outstanding to buy U.S.$34.1 million and to sell U.S.$0.3 million (December 31, 2009 – to buy U.S.$20.5 million and to sell U.S.$0.03 million). The U.S. dollar contracts expire between January 2011 and December 2012, with a weighted average U.S./Canadian dollar rate of 1.0372.

Wajax measures financial instruments held for trading 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.

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**	2011	2012	2013	2014	2015	After 2015
Bank debt	**$ 80.0**	$ 80.0	$ -	$ -	$ -	$ -	$ -
Operating leases	**$ 80.7**	$ 19.1	$ 14.6	$ 10.0	$ 7.7	$ 5.8	$ 23.5
Total	**$ 160.7**	$ 99.1	$ 14.6	$ 10.0	$ 7.7	$ 5.8	$ 23.5

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

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

Off Balance Sheet Financing

The Mobile Equipment segment had $39.4 million (2009 - $22.2 million) of consigned inventory on-hand from a major manufacturer as at December 31, 2010. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in Wajax’s inventory as the manufacturer retains title to the goods.

Wajax’s off balance sheet financing arrangements, with non-bank lenders, include operating lease contracts in relation to Wajax’s long-term lift truck rental fleet in the Mobile Equipment segment. At December 31, 2010, the non-discounted operating lease commitment for the rental fleet was $6.0 million (December 31, 2009 - $11.5 million).

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

Non-GAAP Measures

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

“Distributable cash” and “Distributable cash per unit” are not recognized measures under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. Accordingly, “Distributable cash” and “Distributable cash per unit” as presented may not be comparable to similar measures presented by other entities. The Fund believes that “Distributable cash” and “Distributable cash per unit” are useful financial metrics as they represent the key determination of cash flow available for distribution to unitholders. “Distributable cash” and “Distributable cash per unit” should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a $175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund’s inventories on-hand and outstanding trade accounts receivable, and a $15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See the Distributable Cash section below for the method of calculating the Fund’s “Distributable cash”.

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

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

Distributions and Dividends

Distributions have been based on distributable cash (see Non-GAAP Measures and Distributable Cash sections) and have depended on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures (see Non-GAAP Measures section) and any amount that the Trustees reasonably considered to be necessary to provide for the payment of costs or other obligations that have been or were reasonably expected to be incurred by the Fund. See Cash Flow, Liquidity and Capital Resources, and Distributable Cash sections.

Cash distributions to unitholders were declared as follows:

Record Date	Payment Date	Per Unit	Amount
October 29, 2010 (1)	November 22, 2010	$0.35	$5.8
November 30, 2010 (1)	December 20, 2010	0.55	9.1
December 31, 2010 (1)	January 20, 2011	0.75	12.5
Three months ended December 31, 2010		**$1.65**	**$27.4**

(1) Includes monthly distributions of $0.15 per unit and special distributions of $0.20 per unit for the month of October, $0.40 per unit for the month of November and $0.60 per unit for the month of December.

Cash distributions paid by the Fund during the quarter were funded from cash generated by the Fund's operations before changes in non-cash working capital.

For the twelve months ended December 31, 2010 cash distributions declared totaled $3.40 per unit (2009 - $2.47 per unit) and included special distributions of $1.60 per unit (2009 – $nil). Cash distributions declared for the twelve months ended December 31, 2010 exceeded distributable cash by $2.0 million and were funded through the Fund's bank credit facilities.

Effective January 1, 2011, Wajax intends to declare and pay a high proportion of net earnings in the form of monthly dividends. Dividends, at the discretion of the Board of Directors, will generally be payable to shareholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of Wajax, fluctuations in working capital, the sustainability of margins, capital expenditures, any contractual restrictions on dividends, including any agreements with lenders to Wajax, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. See the Cash Flow, Liquidity and Capital Resources, Forward-Looking Information and Risks and Uncertainties sections.

On January 4, 2011 Wajax announced monthly dividends of $0.15 per share ($1.80 annualized) for January and for February, payable on February 22, 2011 and March 21, 2011 to shareholders of record on January 31, 2011 and February 28, 2011 respectively. On February 25, 2011 Wajax announced monthly dividends of $0.15 per share ($1.80 annualized) for March and for April, payable on April 20, 2011 and May 20, 2011 to shareholders of record on March 31, 2011 and April 29, 2011 respectively. These dividends are eligible dividends within the meaning of the Income Tax Act (Canada). See Wajax Income Fund Overview and Conversion to Corporate Structure section.

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

Distributable Cash[1]

The Fund believes that distributable cash is a useful metric in determining distributions to unitholders. The following is a reconciliation of cash flows from operating activities before changes in non-cash working capital (a GAAP measure) to distributable cash (a non-GAAP measure).

	For the quarter ended		**For the year ended**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Cash flows from operating activities	**$42.9**	$41.1	**$89.4**	$102.4
Changes in non-cash working capital[2]	**(23.9)**	(29.9)	**(23.4)**	(57.3)
Cash flows from operating activities before changes in non-cash working capital	**18.9**	11.2	**66.0**	45.1
Entity specific adjustments[3]:				
Maintenance capital expenditures[1] [3a]	**(3.8)**	(0.6)	**(6.8)**	(2.5)
Accrual for mid-term incentives[3b]	**(2.2)**	(0.5)	**(4.4)**	-
Amortization of deferred financing charges[3c]	**(0.1)**	(0.1)	**(0.3)**	(0.3)
Distributable Cash[1] - $	**12.9**	10.0	**54.5**	42.3
- per unit basic	**$0.77**	$0.60	**$3.28**	$2.55
- per unit fully diluted	**$0.76**	$0.59	**$3.23**	$2.52
Cash Distributions Declared - $	**27.4**	7.5	**56.5**	41.0
- per unit	**$1.65**	$0.45	**$3.40**	$2.47
Payout Ratio [4]	**213.2%**	75.0%	**103.7%**	96.9%

(1) Non-GAAP measure, see Non-GAAP Measures section
(2) Changes in Non-cash Working Capital are excluded from the calculation of distributable cash as the Fund currently has a $175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements (subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable) and a $15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through an equipment finance company. See "Financing Strategies" section for discussion of bank credit facility financial covenants.
(3) Other Entity Specific Adjustments made in calculating distributable cash include the following:
   a. Maintenance Capital Expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.
   b. Accruals for Mid-Term Incentives: Changes in accruals for mid-term incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.
   c. Amortization of Deferred Financing Costs is a deduction in calculating distributable cash based on the amount included in the operating activities section of the statement of cash flow (in the years following the financing transaction) allocated over the term of the financing. The Fund believes this treatment provides a better indication of annual financing costs.
(4) Payout Ratio is equal to cash distributions declared as a percentage of distributable cash.

For the quarter ended December 31, 2010 distributable cash was $12.9 million, or $0.77 per unit, compared to $10.0 million, or $0.60 per unit, the previous year. The increase was due to higher cash flows from operations before changes in non-cash working capital, offset partially by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year. For the quarter ended December 31, 2010 monthly cash distributions declared totaled $1.65 per unit (2009 - $0.45 per unit) and included special distributions of $1.20 per unit (2009 – nil).

For the twelve months ended December 31, 2010 distributable cash of $54.5 million, or $3.28 per unit, compared to $42.3 million, or $2.55 per unit, the previous year. Higher cash flows from operations before changes in non-cash working capital were offset in part by higher maintenance capital expenditures and a higher accrual for mid-term incentive compensation compared to last year. For the twelve months ended December 31, 2010 monthly cash distributions declared totaled $3.40 per unit (2009 - $2.47 per unit) and included special distributions of $1.60 per unit (2009 – nil). Cash distributions declared for the twelve months ended December 31, 2010 exceeded distributable cash by $2.0 million and were funded through the Fund's bank credit facilities.

For the three months ended December 31, 2010, the payout ratio of cash distributions based on distributable cash was 213%, compared to 75% the previous year.

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

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

		For the quarter ended December 31, 2010	For the year ended December 31, 2010	For the year ended December 31, 2009
A.	Cash flows from operating activities	**$42.9**	$89.4	$102.4
B.	Net earnings	**15.0**	55.0	34.2
C.	Distributable cash (1)	**12.9**	54.5	42.3
D.	Cash distributions declared	**27.4**	56.5	41.0
E.	**Excess of cash flows from operating activities over cash distributions declared (A – D)**	**15.5**	32.9	61.4
F.	**Shortfall of net earnings over cash distributions declared (B – D)**	**(12.4)**	(1.5)	(6.8)
G.	**Excess (shortfall) of distributable cash over cash distributions declared (C – D)**	**(14.5)**	(2.0)	1.3

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

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

For the quarter ended December 31, 2010, the $15.5 million excess of cash flows from operating activities over cash distributions declared was comprised of a decrease in non-cash working capital of $23.9 million, maintenance capital expenditures, net of disposals, of $3.8 million and other entity specific adjustments totaling $2.3 million, offset by a $14.5 million shortfall of distributable cash over cash distributions declared. The shortfall was funded through the Fund's bank credit facility.

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

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

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

	For the quarter ended		**For the year ended**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Net earnings	**$15.0**	$8.3	**$55.0**	$34.2
Add (deduct)				
Amortization(1)	**2.3**	2.4	**8.6**	9.4
Maintenance capital expenditures(2) (3)	**(3.8)**	(0.6)	**(6.8)**	(2.5)
Non-cash items:				
- Pension expense, net of payments	**(0.2)**	(0.5)	**(1.0)**	(0.2)
- Non-cash rental expense	**-**	-	**0.1**	0.2
- Unit-based compensation expense	**0.5**	0.3	**1.4**	1.4
- Future income taxes	**(1.0)**	-	**(2.8)**	(0.2)
Distributable cash(2) - $	**12.9**	10.0	**54.5**	42.3

(1) Includes amortization of rental equipment; property, plant and equipment; and intangible assets.
(2) Non-GAAP measure, see Non-GAAP Measures section
(3) Maintenance capital expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. Maintenance capital expenditures exclude acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

Standardized Distributable Cash[1] and Reconciliation to Distributable Cash[2]

The following is a calculation of standardized distributable cash calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. In addition, the table provides a reconciliation of standardized distributable cash to distributable cash (see Distributable Cash section).

	For the quarter ended		For the year ended	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Cash flows from operating activities	**$42.9**	$41.1	**$89.4**	$102.4
A. Capital expenditure outlays[3]:	**(5.6)**	(3.6)	**(10.9)**	(9.9)
B. Restriction on distributions [4]	**-**	-	**-**	-
Standardized Distributable Cash [1][2] - $	**37.3**	37.5	**78.5**	92.5
- per unit basic	**$2.24**	$2.26	**$4.72**	$5.57
- per unit fully diluted	**$2.21**	$2.23	**$4.65**	$5.51
i. Capital adjustments made to reflect maintenance capital expenditures[5]:				
- Proceeds from disposals of capital expenditures	**0.5**	0.5	**1.9**	2.5
- Growth capital expenditures	**1.0**	2.0	**1.1**	3.4
- Rental fleet transferred to inventory	**0.4**	0.4	**1.1**	1.5
ii. Other entity specific adjustments[6]:				
- Changes in non-cash working capital[6a]	**(23.9)**	(29.9)	**(23.4)**	(57.3)
- Accrual for mid-term incentives[6b]	**(2.2)**	(0.5)	**(4.4)**	-
- Amortization of deferred financing charges[6c]	**(0.1)**	(0.1)	**(0.3)**	(0.3)
Distributable Cash[2] - $	**12.9**	10.0	**54.5**	42.3
- per unit basic	**$0.77**	$0.60	**$3.28**	$2.55
- per unit fully diluted	**$0.76**	$0.59	**$3.23**	$2.52
Cash Distributions Declared - $	**27.4**	7.5	**56.5**	41.0
- per unit	**$1.65**	$0.45	**$3.40**	$2.47
Payout ratio[7]				
- based on standardized distributable cash	**73.7%**	19.9%	**72.0%**	44.3%
- based on distributable cash	**213.2%**	75.0%	**103.7%**	96.9%

(1) Standardized distributable cash is a non-GAAP measure calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.

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

(3) Capital expenditure outlays include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.

(4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.

(5) Capital adjustments are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.

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

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

b. Accruals for Mid-Term Incentives see Distributable Cash section.
c. Amortization of Deferred Financing Costs see Distributable Cash section.

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

For the quarter ended December 31, 2010 standardized distributable cash was $37.3 million, or $2.24 per unit, compared to $37.5 million, or $2.26 per unit, the previous year. The $0.2 million decrease was due to higher capital expenditures of 2.0 million, offset mostly by a $1.8 million increase in cash flows from operating activities.

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

Since the conversion of Wajax Limited to Wajax Income Fund on June 15, 2005, the payout ratio of cash distributions based on standardized distributable cash and distributable cash was 94.9% and 96.6%, respectively. The difference is due primarily to changes in non-cash working capital, capital adjustments, and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

Productive Capacity and Productive Capacity Management

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

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

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

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

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

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

For the ten year period from 2000 to 2010, average annual maintenance capital expenditures, net of proceeds from disposals, (including rental fleet but excluding discontinued operations and an ERP computer system abandoned in 2002) were $8.8 million. The annual maintenance capital expenditures varied between $2.8 million and $13.0 million during the period. Management's expectation for future annual maintenance capital expenditures is between $8 million and $14 million.

Financing Strategies

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

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to the timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2006 and 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities.

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

Borrowing capacity under the bank credit facility is dependent on the level of Wajax's inventories on-hand and outstanding trade accounts receivables. At December 31, 2010 borrowing capacity under the bank credit facility was equal to $175 million.

The bank credit facility contains covenants that could restrict the ability of Wajax to make dividend payments, if (i) an event of default exists or would exist as a result of a dividend payment, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate dividend payments by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. In addition, the bank credit facility has been amended to modify certain debt covenants to reflect changes in financial statement balances as a result of adopting IFRS effective January 1, 2011. See the Accounting Changes section.

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

Unit Capital

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

Issued and fully paid Trust Units as at December 31, 2010	**Number**	**Amount**
Balance at the beginning of quarter	16,629,444	$105.9
Rights exercised	-	-
Balance at end of quarter	**16,629,444**	**$105.9**

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

Wajax has four unit-based compensation plans; the Wajax Unit Ownership Plan ("UOP"), the Deferred Unit Program ("DUP"), the Trustees' Deferred Unit Plan ("TDUP") and the Mid-Term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units, while the MTIP consists of an annual grant that vests over three years and is subject to time and performance vesting criteria. Compensation expense for the UOP, DUP and TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting amount to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the three year vesting period. Wajax recorded compensation cost of $2.7 million for the quarter (2009 - $0.9 million) and $5.7 million for the year to date (2009 - $1.8 million) in respect of these plans.

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

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates include the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. Wajax makes a provision for doubtful accounts when there is evidence that a specific account may become uncollectible. Wajax does not provide a general reserve for bad debts. As conditions change, actual results could differ from those estimates. Critical accounting estimates used by Wajax's management are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at www.sedar.com

Accounting Changes

Multiple Deliverable Arrangements

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

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

International Financial Reporting Standards

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

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

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

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

Employee Benefits

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

Leases

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

Inventory

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

Income Fund Trust Units

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

Risks and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at www.sedar.com. For the period January 1, 2011 to February 25, 2011 there have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2010.

Outlook

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

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

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

WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the three and twelve months ended December 31, 2010

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

The attached consolidated financial statements have been prepared by Management of Wajax Income Fund and have not been reviewed by the Fund’s auditors.

WAJAX INCOME FUND
CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of dollars)		**December 31 2010**		December 31 2009
ASSETS				
Current				
Cash	**$**	**42,954**	$	9,207
Accounts receivable		**135,517**		123,537
Inventories (note 3)		**194,752**		176,230
Income taxes receivable		**-**		190
Future income taxes		**6,466**		3,191
Prepaid expenses and other recoverable amounts		**7,244**		7,800
		386,933		320,155
Non-current				
Rental equipment		**15,794**		16,370
Property, plant and equipment		**36,626**		36,164
Goodwill		**66,335**		66,335
Intangible assets		**6,637**		7,170
Deferred pension asset		**3,013**		2,013
		128,405		128,052
	$	**515,338**	$	448,207
LIABILITIES AND UNITHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**207,999**	$	157,532
Distributions payable to unitholders		**12,472**		2,491
Income taxes payable		**1,599**		-
Derivative instrument liability		**2,452**		-
Bank debt		**79,680**		-
		304,202		160,023
Non-current				
Future income taxes		**2,108**		1,883
Other liabilities		**5,221**		841
Long-term pension liability		**3,118**		2,995
Derivative instrument liability		**-**		2,643
Bank debt		**-**		79,461
		10,447		87,823
Unitholders' equity				
Trust units (note 4)		**105,892**		105,307
Unit-based compensation (note 5)		**6,426**		5,645
Accumulated earnings		**90,148**		91,642
Accumulated other comprehensive loss (note 6)		**(1,777)**		(2,233)
		88,371		89,409
Total unitholders' equity		**200,689**		200,361
	$	**515,338**	$	448,207

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
AND ACCUMULATED EARNINGS

(unaudited, in thousands of dollars, except per unit data)	Three months ended December 31 **2010**	2009	Twelve months ended December 31 **2010**	2009
Revenue	**$ 316,617**	$ 259,099	**$ 1,111,866**	$ 1,007,201
Cost of sales	**252,052**	209,160	**874,327**	804,560
Gross profit	**64,565**	49,939	**237,539**	202,641
Selling and administrative expenses	**49,471**	41,011	**181,109**	165,935
Earnings before interest and income taxes	**15,094**	8,928	**56,430**	36,706
Net interest expense	**951**	1,004	**4,094**	4,461
Earnings before income taxes	**14,143**	7,924	**52,336**	32,245
Income tax expense (recovery) – current	**88**	(426)	**103**	(1,726)
– future	**(993)**	16	**(2,786)**	(258)
Net earnings	**$ 15,048**	$ 8,334	**$ 55,019**	$ 34,229
Basic earnings per unit (note 7)	**$ 0.90**	$ 0.50	**$ 3.31**	$ 2.06
Diluted earnings per unit (note 7)	**0.89**	0.50	**3.26**	2.04
Accumulated earnings, beginning of period	**$ 102,537**	$ 90,768	**$ 91,642**	$ 98,407
Distributions	**(27,437)**	(7,460)	**(56,513)**	(40,994)
Net earnings	**15,048**	8,334	**55,019**	34,229
Accumulated earnings, end of period	**$ 90,148**	$ 91,642	**$ 90,148**	$ 91,642

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(unaudited, in thousands of dollars)	Three months ended December 31 **2010**	2009	Twelve months ended December 31 **2010**	2009
Net earnings	**$ 15,048**	$ 8,334	**$ 55,019**	$ 34,229
Losses (gains) on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory or interest expense in the current period, net of tax (note 6)	**661**	368	**938**	(767)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax (note 6)	**(365)**	(74)	**(482)**	785
Other comprehensive income	**296**	294	**456**	18
Comprehensive income	**$ 15,344**	$ 8,628	**$ 55,475**	$ 34,247

WAJAX INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of dollars)	Three months ended December 31 **2010**	2009	Twelve months ended December 31 **2010**	2009
OPERATING ACTIVITIES				
Net earnings	**$ 15,048**	$ 8,334	**$ 55,019**	$ 34,229
Items not affecting cash flows:				
Amortization				
- Rental equipment	**957**	1,035	**3,568**	4,290
- Property, plant and equipment	**1,194**	1,163	**4,498**	4,407
- Intangible assets	**119**	175	**533**	719
- Deferred financing costs	**81**	105	**312**	301
Pension expense, net of payments	**(235)**	(474)	**(964)**	(202)
Long-term portion of mid-term incentive plan expense	**2,221**	480	**4,380**	23
Non-cash rental expense (recovery)	**26**	9	**103**	137
Unit-based compensation expense (note 5)	**500**	323	**1,366**	1,415
Future income taxes	**(991)**	16	**(2,786)**	(258)
Cash flows from operating activities before changes in non-cash working capital	**18,920**	11,166	**66,029**	45,061
Changes in non-cash working capital				
Accounts receivable	**11,756**	5,258	**(11,980)**	39,159
Inventories	**(4,479)**	29,076	**(17,427)**	53,126
Prepaid expenses and other recoverable amounts	**(1,446)**	(3,270)	**556**	(2,834)
Accounts payable and accrued liabilities	**18,013**	(748)	**50,452**	(29,259)
Income taxes payable/receivable	**84**	(382)	**1,789**	(2,887)
	23,928	29,934	**23,390**	57,305
Cash flows from operating activities	**42,848**	41,100	**89,419**	102,366
INVESTING ACTIVITIES				
Rental equipment additions	**(2,979)**	(794)	**(5,775)**	(2,742)
Proceeds on disposal of rental equipment	**490**	544	**1,688**	2,381
Property, plant and equipment additions	**(2,621)**	(2,776)	**(5,154)**	(7,119)
Proceeds on disposal of property, plant and equipment	**31**	-	**194**	116
Cash flows used in investing activities	**(5,079)**	(3,026)	**(9,047)**	(7,364)
Cash flows before financing activities	**37,769**	38,074	**80,372**	95,002
FINANCING ACTIVITIES				
Decrease in bank debt	**-**	(21,000)	**-**	(37,000)
Increase in deferred financing costs	**-**	-	**(93)**	-
Distributions paid	**(20,785)**	(7,460)	**(46,532)**	(44,475)
Cash flows used in financing activities	**(20,785)**	(28,460)	**(46,625)**	(81,475)
Net change in cash and cash equivalents	**16,984**	9,614	**33,747**	13,527
Cash (bank indebtedness) - beginning of period	**25,970**	(407)	**9,207**	(4,320)
Cash - end of period	**$ 42,954**	$ 9,207	**$ 42,954**	$ 9,207
Cash flows used in (from) operating activities include the following:				
Interest paid	**$ 774**	$ 994	**$ 3,817**	$ 3,934
Income taxes (received) paid	**$ -**	$ (37)	**$ (1,778)**	$ 1,016
Significant non-cash transactions:				
Rental equipment transferred to inventory	**$ 358**	$ 441	**$ 1,095**	$ 1,513

WAJAX INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of dollars, except unit and per unit data)
(unaudited)

Note 1 Structure of the trust and basis of presentation

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

On January 1, 2011, the Fund converted into a Corporation (see Note 12). The use of "Wajax" refers to Wajax Corporation from and after January 1, 2011 and to the Fund for the period prior thereto.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the audited annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of the Fund for the year ended December 31, 2009. The significant accounting policies follow those disclosed in the most recently reported annual financial statements.

Additional information, including the Fund's Annual Report and Annual Information Form, may be found on SEDAR at www.sedar.com.

Note 2 Changes in accounting policies

Multiple deliverable arrangements

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

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

New standards issued but not yet effective

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. Wajax will be required to report using IFRS beginning January 1, 2011. The areas that have significant effects on Wajax's financial statements upon the adoption of IFRS include employee benefits, leases and inventories. As well, extensive additional disclosure will be required.

As a result of adopting IFRS, the reported values of Wajax's net assets, equity and earnings will change. These changes could impact the calculation of covenants under the current bank credit facility, potentially resulting in an event of default. Wajax's management has discussed these possibilities with its bankers who have amended the definitive agreement allowing for modification of debt covenants to reflect changes in financial statement balances as a result of adopting IFRS.

Note 3 Inventories

	Cost Formula	December 31 2010	December 31 2009
Equipment	Specific item	**$ 88,749**	$ 74,623
Parts	Weighted average	**89,996**	88,150
Work in process	Specific item	**16,007**	13,457
Total inventories		**$ 194,752**	$ 176,230

All amounts shown are net of applicable reserves.

Wajax recognized $231,954 of inventory as an expense which is included in cost of sales during the quarter (2009 - $192,222) and $789,790 year to date (2009 - $723,150). During the quarter $817 was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2009 - $874). Year to date, the write-down of inventory was $3,959 (2009 - $2,980).

All of Wajax's inventory is pledged as security under the bank credit facility and other equipment financing facilities.

Note 4 Trust units

At the end of the quarter the number of trust units outstanding was 16,629,444 (December 2009 – 16,603,423). There were 101,999 rights outstanding under the Wajax Unit Ownership Plan ("UOP") (December 2009 – 126,125), 24,164 rights outstanding under the Deferred Unit Program ("DUP") (December 2009 – 21,944) and 147,798 rights outstanding under the Trustees' Deferred Unit Plan ("TDUP") (December 2009 – 117,518). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

	Three months ended December 31		Twelve months ended December 31	
	2010	2009	**2010**	2009
Balance beginning of period	**$ 105,892**	$ 105,307	**$ 105,307**	$ 104,871
Unit rights plans exercised	**-**	-	**585**	436
Balance end of period	**$ 105,892**	$ 105,307	**$ 105,892**	$ 105,307

Note 5 Unit-based compensation plans

Wajax has four unit-based compensation plans: the UOP, the DUP, the TDUP and the Mid-term Incentive Plan ("MTIP"). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Fund units. The UOP and DUP are subject to certain time and performance vesting criteria. The MTIP consists of an annual grant that is settled in cash, vests over three years and is based upon performance vesting criteria, a portion of which is determined by the price of Fund units. Compensation expense for the UOP, the DUP and the TDUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders' equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period.

During the quarter 3,586 rights (2009 – 6,633) were granted and 7,987 rights (2009 – nil) were exercised under the UOP, 849 rights (2009 – 497) were granted under the DUP and 8,611 rights (2009 – 9,219) were granted under the TDUP.

Year to date 11,025 rights (2009 – 21,917) were granted, 26,021 rights (2009 – 5,351) were exercised and 9,130 rights (2009 – nil) were forfeited under the UOP, 2,220 rights (2009 – 3,222) were granted under the DUP and 30,280 rights (2009 – 46,604) were granted and no rights (2009 – 12,866) were exercised under the TDUP.

Wajax recorded compensation expense of $500 for the quarter (2009 – $323) and $1,366 for the year to date (2009 – $1,415) in respect of unit rights plans and $2,159 for the quarter (2009 – $567) and $4,322 for the year to date (2009 – $429) in respect of the unit-based MTIP.

Note 6 Accumulated other comprehensive loss

	Three months ended December 31		Twelve months ended December 31	
	2010	2009	**2010**	2009
Balance beginning of period	**$ (2,073)**	$ (2,527)	**$ (2,233)**	$ (2,251)
Losses (gains) on derivative instruments designated as cash flow hedges in prior periods transferred to cost of inventory or interest expense in the current period, net of tax	**661**	368	**938**	(767)
(Losses) gains on derivative instruments designated as cash flow hedges, net of tax	**(365)**	(74)	**(482)**	785
Accumulated other comprehensive loss	**$ (1,777)**	$ (2,233)	**$ (1,777)**	$ (2,233)

During the quarter ending December 31, 2010, $522 ($661 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods, 2009 – losses of $407 ($368 net of tax), were reclassified out of comprehensive loss into cost of inventory or interest expense, while the change in the fair value of the outstanding contracts at December 31, 2010 resulted in a loss of $602 ($365 – net of tax) being recorded in other comprehensive loss, 2009 – loss of $74 ($74 – net of tax).

Year to date, $829 ($938 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods, 2009 – gain of $847 ($767 – net of tax), were reclassified out of comprehensive loss into cost of inventory or interest expense, while the change in the fair value of the outstanding contracts at December 31, 2010 resulted in a loss of $638 ($482 – net of tax), 2009 – gain of $972 ($785 – net of tax) being recorded in other comprehensive loss.

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

Note 7 Earnings per unit

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

	Three months ended December 31		Twelve months ended December 31	
	2010	2009	**2010**	2009
Numerator for basic and diluted earnings per unit:				
– net earnings	**$ 15,048**	$ 8,335	**$ 55,019**	$ 34,229
Denominator for basic earnings per unit: – weighted average units	**16,629,444**	16,603,423	**16,613,676**	16,596,853
Denominator for diluted earnings per unit:				
– weighted average units	**16,629,444**	16,603,423	**16,613,676**	16,596,853
– effect of dilutive unit rights	**256,635**	231,123	**260,924**	208,998
Denominator for diluted earnings per unit	**16,886,079**	16,834,546	**16,874,600**	16,805,852
Basic earnings per unit	**$ 0.90**	$ 0.50	**$ 3.31**	$ 2.06
Diluted earnings per unit	**$ 0.89**	$ 0.50	**$ 3.26**	$ 2.04

Note 8 Financial instruments and capital management

There has been no significant change to the financial instruments and related risks or Wajax's capital management since December 31, 2009.

Note 9 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended December 31		Twelve months ended December 31	
	2010	2009	**2010**	2009
Defined benefit plans	**$ 161**	$ 190	**$ 587**	$ 936
Defined contribution plans	**1,272**	1,117	**4,868**	4,728
Net pension plan expense	**$ 1,433**	$ 1,307	**$ 5,455**	$ 5,664

Note 10 Segmented information

		Three months ended December 31				Twelve months ended December 31		
		2010		2009		**2010**		2009
Revenue								
Mobile Equipment	**$**	**159,720**	$	133,410	**$**	**555,811**	$	502,938
Industrial Components		**78,041**		67,492		**303,176**		281,010
Power Systems		**80,149**		57,105		**257,292**		226,705
Segment eliminations		**(1,293)**		(908)		**(4,413)**		(3,452)
	$	**316,617**	$	259,099	**$**	**1,111,866**	$	1,007,201
Segment Earnings								
Mobile Equipment	**$**	**10,679**	$	8,316	**$**	**38,145**	$	30,472
Industrial Components		**2,606**		1,003		**11,970**		4,721
Power Systems		**6,648**		1,403		**19,159**		8,805
Corporate costs and eliminations		**(4,839)**		(1,794)		**(12,844)**		(7,292)
		15,094		8,928		**56,430**		36,706
Interest expense		**951**		1,004		**4,094**		4,461
Income tax recovery		**(905)**		(410)		**(2,683)**		(1,984)
Net earnings	**$**	**15,048**	$	8,334	**$**	**55,019**	$	34,229

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

Note 11 Comparative information

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

In particular, 2009 amounts recovered from customers or manufacturers in an amount of $8,156 for the quarter and $34,076 year to date have been reclassified out of selling and administrative expenses into revenue. In addition, service department overhead amounts of $15,062 for the quarter and $64,983 year to date have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications have no impact on net earnings.

Note 12 Subsequent events

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 Wajax Corporation in exchange for each unit of the Fund. The Corporation will be accounted for as a continuity of interests. The business will continue to be carried on by the same management team in place prior to completion of the conversion.